

## G19+1?

Treasury Secretary Steven Mnuchin may attract a more sympathetic response on the world stage than some other US top officials, but the weekend meeting of the G-20 was still seemingly dominated by concern over the brewing trade war, and President Trump's remarks about the dollar and Fed rate policy



Source: Shutterstock

### At least no currency war

The volume on the trade war was dialed up a notch or two over the weekend in a story by Reuters that was repeated in the FT. This suggested that US President Trump allegedly threatened tariffs on all \$500bn of Chinese Imports. So far, this has not yet made it onto his Twitter feed, so until it does, I'm not sure how seriously to take it. But the US President did castigate the EU on Twitter, for fining Google \$US5bn for its anti-competitive actions.

Treasury Secretary Mnuchin, once again, seems to have managed to calm tensions. A communique was issued by the G-20 which warned of rising trade tensions. The communique was not then dismissed, and apparently, all talk of interference with the Fed or with FX markets was quickly dealt with and dismissed. So no currency war then. But a trade war is bad enough.

### The Man from the EU, he says "Non"

Lead EU negotiator, Michel Barnier, has said no to the idea of enhanced equivalence for the UK's financial sector, put forward in the White paper submitted by Theresa May. Knocking this back as

essentially a suggestion for dual rule setting, this is potentially bad news for the UK's outsized financial services industry. Other elements of the paper were treated more sympathetically, however, including proposals for the Northern Ireland border. This isn't enough to cause the GBP to rally, but maybe enough to keep it from selling off for a while. No progress made, but potentially, room for progress possible.

## More chat about Bank of Japan policy

Japanese government bond (JGB) markets have got themselves excited about the coming July 31 meeting of the Bank of Japan, which some media reports are suggesting would change the current policy-setting. 10Y JGB yields have spiked up to a little over 8bp this morning. The speculation is also providing some strong support to the yen. So far, BoJ Governor Kuroda is giving nothing away. His comment in Buenos Aires was "I know absolutely nothing about the basis for those reports ." That's not a "no" then. As a wild guess, I would suggest one way for the BoJ to slowly extricate itself from its asset purchase conundrum, would be to officialise the undershoot of its official policy, and to then steadily reduce its actual purchasing further. Markets seem to respond more to statements than to data these days, so that could soften any blow through JGB and FX markets. The target of zero bond yields need not be changed. But it could also be targeted less rigorously, to the same effect.

## Singapore CPI

No change in the CPI index for June should allow Singapore's CPI to edge higher to 0.6%, suggests the consensus view, which we share. Next month should see some slight gain in the index, at least if my latest utility bill is anything to go by. Now I just have to find an old one and figure out how much it has risen (unhelpfully didn't say).

Also, given the trade war background, Korea's 20-day trade data will be worth more than the usual quick glimpse. Any evidence of weakness could go down badly, and not just in Korea, but send a regional warning sign.

## Author

### Robert Carnell

Regional Head of Research, Asia-Pacific

[robert.carnell@asia.ing.com](mailto:robert.carnell@asia.ing.com)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person

for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit [www.ing.com](http://www.ing.com).