

Rob Carnell: Gloves off at Davos

Trump contradicts Mnuchin - says ultimately he wants a strong dollar
- Draghi says weaker USD not in line with G-20 agreements



Gloves off

Draghi pushes back against weaker USD

ECB President, Mario Draghi must feel a little bit like 11th Century King of Northumbria, King Canute (Cnut or Knut for the purists) who tried to use his divine powers to hold back the tides. OK, the actual story is a little more complicated than that for Canute as it is for Draghi, but the effect is roughly the same. Draghi pushed back at the ECB's latest press briefing against the recent comments by US Treasury Secretary, Steven Mnuchin, whose weak USD comments earlier in the week gave an already tumbling dollar an additional hard push.

Draghi states the obvious

Noting that curbing excessive volatility was part of a G-20 pledge, Draghi made a fairly thinly veiled attack on such comments and was surprisingly backed up separately by US President, Donald Trump, who now seems to ultimately want a stronger dollar, though the key word here is "ultimately". The list of things he wants to happen first before that happens is likely a long and improbably optimistic one.

Draghi also said that he sees very little chance of interest rates rising in the Eurozone this year. But that is a bit like me announcing that I see very little likelihood that I will win Wimbledon this year.

No-one is expecting either, and this is unlikely to have helped bring the EUR down. Further analysis on the latest ECB press conference is available in the link from our Eurozone economists. But in short, it said little that was new.

[See comments](#) on ECB Press briefing from our Eurozone economists

Trump says some helpful things

Further optimism on the US might also have come from the US President's offer for a deal on immigration, which should raise the chances of a proper spending deal after the current one expires on February 8th. This could be linked to some funding for Trump's Mexican Wall.

The US President has also made some modestly positive remarks about NAFTA, which might also have lent a helping hand to the USD, noting that he thought a deal was possible. This is in stark contrast to recent negative remarks, and it is difficult to know whether this is the latest thinking from the US president, or just random vacillations of opinion, which could swing back to hostility in a few days. Nonetheless, as a guide to the tone of the US President's remarks at Davos later today, they may be instructive. Today's 4Q17 US GDP data may also provide some support for the dollar, at least to round off the week, though we don't think this marks a change in the falling tide for the currency.

Will higher inflation soften Kuroda's stance?

We also hear from BoJ Governor Kuroda at Davos today. Given the recent statement and press conference which gave nothing away, Kuroda will be watched hard for any clues that the BoJ is not so staunchly defending the current monetary policy stance. Today's reasonable inflation data may provide some excuse for Kuroda to take a more upbeat path - though it sounds like wages are now the key figure to watch, and we would be very surprised if Kuroda gave anything away today.

Today in Asia - Singapore production

It's a thin day in Asia for data, with Singapore's industrial production top of the billing. There is a lot of noise in a fairly loose consensus estimate (more than 9 percentage points top to bottom) in which the decent month on month gains seen in November could give way to some weakness. Year on year production is likely to moderate too. We also see labour market data from Singapore. The unemployment rate has been flat for 4 consecutive months at 2.2%, and the consensus expects a slight downtick to 2.1%. Directionally this is helpful, but it is not going to change what is otherwise a fairly limp household consumer spending and as such leaves the April MAS decision in the balance.

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