

Green is the new orange

Greta Thunberg speaks for a generation at the UN meeting - putting today's note in stark perspective.



Please sir, can we have our air back?

Greta Thunberg has her critics. As has anyone who stands up to the establishment. Sure, she is from a privileged background, as some of the social media trolls endlessly carp. Though how else would she have access to the channels which have enabled her to be heard otherwise?

As I look out of my Singapore office window today, I should be able to see across the sea to the Indonesian island of Batam. I can't. Singapore is covered in haze from illegal fires used for deforestation in Indonesia. The air quality index I now read alongside the Financial Times on the way into work, read "Unhealthy" today.

Maybe it takes having something we take for granted - healthy air - taken away from us to put all this into perspective. Greta Thunberg and millions of her generation are not just a spoiled rich-kids having an adolescent "moment". The issues she and others highlight are real, substantial and require a supranational solution. The UN ought to be an appropriate venue for this. But I suspect the willingness to act is still not there.

One observation from the two-week marketing trip in the US I have just returned from is how attitudes to the environment differ massively across the world. "Green" is pretty much the standard currency in Europe, and is increasingly becoming so here in Asia, where environmental

issues are rapidly gaining prominence. For a worrying number of firms I spoke to earlier in the month in the US, the response to questions of the environment was basically "Eh? What?".

The rest of today's note will focus on the usual stuff - macro indicators, and financial market movements. But you may detect that my heart isn't really in it today. The net present value of my pension investments won't be much use to me if I can't breathe.

Markets a pale green

From one sort of green to another - and the equity futures screens today register a mix of green and red. Yesterday saw stocks weaken a fraction, though nothing that can't be written off as noise.

The newsflow on the trade war which has been the dominant driver for markets for months now seems a little better. Liu He is due to fly to Washington next week for talks, which is more positive than him not doing so. And some of the US farm visits by Chinese officials that were canceled, are now back on, which suggests a willingness to send the right signals.

I'm still concerned that the gulf between what the US and China both need to achieve with any trade deal is too wide to bridge. But the only way we will find out is if the two sides continue to try to thrash out a resolution.

Eurozone PMIs slide further

As if to highlight the futility of the ECB's recent further monetary easing, PMI indices from the Eurozone yesterday slid further, and this weakness was reflected in the EUR, which stands at just over 1.099 this morning. At 45.6, the manufacturing PMI is firmly in recession territory. Perhaps more worryingly, the services sector PMI also fell, and at 52.0, is now in only weak expansion mode.

In the US, the ISM indices carry more clout than their respective PMI series, which were also released yesterday. The ISM series also shows US manufacturing struggling but shows the service sector remains in good shape. What Europe's figures remind us, however, is where manufacturing goes, services usually follow.

Relevant to this discussion, today's US Conference Board consumer confidence figures may be worth a good look.

Asia today

Not much happening in Asia today: The exception to that being the Thai manufacturing production index. This will remain very weak.

The Bank of Thailand (BoT) meets tomorrow. Our Prakash Sakpal is bucking consensus looking for a 25bp rate cut from them. There's no doubting that the economic conditions in Thailand warrant such a move. What may be lacking is resolve from the central bank, which has been loath to provide any support except for the reversal of their ill-fated December 25bp hike in 2018.

If they don't move tomorrow, we don't think we will have to wait for too long for the next cut. If nothing else, such a move is warranted from the strength of the THB, which is up 6.78% this year (starting date 31 Dec 2018), beating even the JPY (only +1.87% in comparison).

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