

## Happy CNY Eve

*Gong xi fa cai* to all our readers and as well as wishing you greater wealth in 2021, we also wish you excellent health - even more important these days



2021

Source: shutterstock

### Last day of the year of the rat - come on Ox!

Today will likely mark a quiet end to the year of the rat, a year many of us would like to forget. Though despite the lockdowns, job losses, health issues, and family losses for many, this has also been a remarkable year in terms of markets, and one that for many leaves a sense of unreality that we can have seen such a massive hit to real economies, but has left financial markets broadly intact, if not looking rather inflated.

Central banks are doing their bit to ensure that this "bubble" (if that is what it is) doesn't burst too soon, and most will be hoping that it never bursts at all. For their part, the US Federal Reserve seems to be just wishing the problem away, with comments from Fed's Powell yesterday repeating that the Fed "...will not even think about withdrawing policy support" on either rates or asset purchases for the "foreseeable future". I don't know about you, but I'd prefer my central bank to always be thinking about such things, just making clear the circumstances under which it might alter its policies.

Not thinking about it, not making this clear simply leads markets to speculate. What rate of unemployment will lead the Fed to start thinking about it, again? And is it just a short step from thinking about things to actual action? Or does this require a lengthy adjustment? Without clarity on this, I suspect the alternative gives way to more market volatility than I think anyone would want, or potentially to misallocations of resources that can in time lead to financial market bubbles and bursts.

I'm trying to think of a witty comment along the lines of "let's hope the year of the rat doesn't turn into the year of the....?" but literary creativity is lacking this morning. Send in your suggestions. Maybe we can do a Twitter poll? Editorial?

At least part of Powell's dovishness seems aimed at keeping his job, one he professes "to love" (Grrrr, lucky man). He has also been lucky with the inflation data until now. And James Knightley has written about this overnight [in the linked piece here](#). A bit of helpful rounding seems to have worked in Powell's favour with the headline inflation rate at 1.4%YoY not the 1.5% expected. But as Knightley also points out, this is a temporary reprieve. If you're short of time, skim down to the bottom part of JK's note, where he considers the need for the Fed to keep buying so many assets. For the record, James has the US growing 5.2% in 2021 and inflation pushing above 3% in 2Q21. All our forecast numbers [can be found on Think by following this link](#) or tapping on the helpful tab at the top of [our home page](#).

This dovishness and helpful inflation data overnight has brought US Treasury yields a little lower overnight, though this doesn't seem to be doing too much to FX markets, with the EUR just a bit stronger against the USD at about 1.2120 as of writing. In Asian markets, things are obviously quite quiet ahead of the CNY holidays, though the KRW has rounded out the year on spell of strength. A week ago, it was pushing in the direction of 1130 intraday. As of today, it has powered right back to 1106.65, despite yesterday's awful labour market report. Perhaps expectations of more stimulus are drawing in capital flows?

## ASEAN news today

Our sister publication, [ASEAN Bytes](#), takes a quick look at Singapore's new Green Initiative, which can probably be filed under "Better late than never". We await more details in next week's budget, but we would note that Singapore is still lagging behind regional peers in terms of its commitments, and today, again stopped short of committing a date for zero carbon.

We also have commentary on Malaysia's 4Q GDP release and BSP's policy decision in the Philippines.

A long weekend now beckons. We'll be back next week and "looking forward" to covering the macro and market news in Asia and global events that affect our region.

From all of our team in Singapore, Hong Kong, and Manila, let us wish you (a little in advance) a Happy Chinese New Year!

## 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 <http://www.ing.com>.