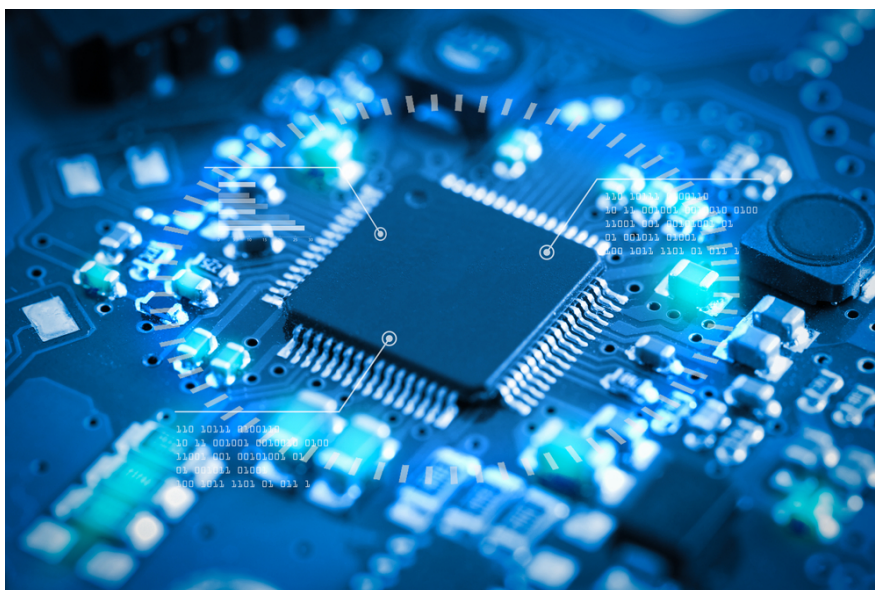


Jitters mounting

In our view, stories about a looming global recession are overdone. But there are interesting things happening in the semiconductor space that Asia ought to be concerned about



Source: Shutterstock

You spend years waiting for central banks to hit their inflation targets, which, incidentally, most are still failing to do, crude oil noses up a bit making targets look more achievable, and all of a sudden, news headlines are full of stories of bond yields reaching 3% (3%!!!!) and global recession. I'm sorry if I sound like I don't care. But if US 10-year Treasury yields rise a further 3bp, I cannot see this causing the US housing market to collapse. US corporates, currently printing decent earnings, will not suddenly go bankrupt. And yes, credit spreads have widened, but they were absurdly tight. A return to more normal pricing is not a reason to jump out of the window.

It is a slow news day today, and journalists, like financial analysts, need to generate stories where there are none. If you want something to worry about, how about what is happening to semiconductor firms. Semiconductors were the mainstay of Asian exports in 2017, in some countries, they were about the only thing that grew, massaging headline figures higher even when other products were flatlining. Another semiconductor firm has just offered downbeat earnings guidance after last week's announcement in Taiwan (this time in Europe), and our long-standing hypothesis of a handset-related product cycle in this sector may indeed be playing out.

To follow this further, we will need to focus on the upcoming production, export and orders data for the big semiconductor manufacturers in the region - Korea, and Taiwan especially, and keep a weather eye on the others in the region (this is not a concentrated activity anymore - everyone is doing it).

If more bad news follows, this would not be welcome. But it would be more of an indication of a regional slowdown, not a global recession. Over the coming days, we will show you some of the real-world recession indicators that we think are worth following. There aren't many. The news is not yet negative.

Author

Robert Carnell

Regional Head of Research, Asia-Pacific

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.