

Me too!

With Trump letting Canada and Mexico off the hook for his metals tariffs, he drops a hint that Australia may also be let off - who next?



Beagle

Bark loudly, bite little

So markets are now breathing a sigh of relief that Trump's tariff plans do not seem to be quite as aggressive as they first sounded. And newswires are reporting that Trump dropped strong hints that Australia may also make it onto his BFF list. You can imagine the whining in Whitehall. "Whatever happened to our special relationship?". The EU will also no doubt be feeling petulant. Maybe if they had met their NATO commitments, Trump would be being nicer? Who knows...

In any case, this isn't over. The investigation into intellectual property rights violations, results of which are pending, will be aimed squarely at China and could be an altogether more unsettling decision. But as our Greater China Economist, [Iris Pang recently noted](#), China is well placed to deal with American hostility on trade. Trump also says he will be doing a lot of equalling of unequal tariff barriers. This list is likely to be a long one.

Draghi buries the bad news

Yesterday we wrote that it was scarcely credible for the ECB to keep reiterating the risk of expanded QE, but that we did not believe ECB President Mario Draghi would actually take the step to cut it from the ECB's introductory statement. Well, he actually did, and remarkably, the EUR did

not appreciate. This may have been because Draghi spent much of the press conference doing his best to talk up the risks from a higher EUR, and was also probably helped by Trump's less unreasonable tone on trade, which we believe will have helped the US dollar a little.

2.9%

Hourly wages growth in January

If achieved in February, would signal that the recent wages gains were no fluke

Day ahead - US wages!

What happens to markets today really boils down to the wages component of the US February labour report. If the year-on-year number for average hourly earnings is 2.9% or higher (same as last month) then markets will see that as positive, the USD will rally, and bond yields will rise. What the stock market does is less clear - this sets up the Fed to keep tightening (bad for stocks) but it also suggests that the underlying economy is in excellent health (good for stocks). What happens to the payrolls figure, or the unemployment rate (could end up with a 3 point-something percent) is just seasoning on this result.

Elsewhere in the G-7 - the Bank of Japan's Haruhiko Kuroda will be speaking after the latest policy decision meeting and will be under pressure to clarify recent remarks made about a possible exit from QQE in 2019. Given the yen's strength before and since then, some back-peddalling may be in order (though we tend to think the BoJ really is looking for a way out, and yesterday's GDP revision reinforces that view). January cash earnings data out today were, however, a touch disappointing, at 0.7%YoY, unchanged from December.

In Asia, Chinese CPI out this morning will be dominated by negative base effects, so the expected sharp up-spike in the CPI inflation rate should be largely ignored. Trade data in the Philippines may be more market moving, following an unexpectedly negative reading last month, analysts are looking for the deficit to narrow back in again. We are a little more optimistic than the consensus (Consensus -\$US3500m ING f -\$US3000m).

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