

Normal service resumes

As corrections go, the one just passed promised a lot and delivered very little. Was this all that was needed to breathe fresh life into tech stocks?



Source: Apple

Back to normal

If you'd taken a short staycation this week, and came back to work next Monday, you might be forgiven for thinking that nothing much had happened in the intervening period.

Much of yesterday's NASDAQ and S&P500 sell-off has been reversed overnight. Stock futures suggest more to come today. By close tomorrow, we may only be down slightly on the week.

The dollar has resumed its weakening, and this, in spite of today's ECB meeting, where rumours are circulating about a stronger GDP outlook. [Here's an updated ECB outlook from our Head of Macro, Carsten Brzeski.](#)

Asian FX is also strengthening again, with the notable exception of the MYR, which normally, I would say would show a bit more resilience today as oil has taken some solace from the dollar's decline, and nudged higher (front-month Brent futures back above \$40 as I look right now). That said, with BNM likely to cut policy rates by 25bp today, the MYR may again buck the local trend and stay soft.

The AUD and NZD are busy retracing earlier falls. Shame, they both felt as if they could do with going a bit further. And the JPY is showing no signs of safe haven appreciation today and is back up over USD/JPY106.

Again, the cross-asset correlation is not dramatic, but there is a slight increase in US 10Y Treasury yields of about 2bp alongside the stock moves, suggesting that this whole move has been largely a stock phenomenon - with only minimal collateral damage across other markets. Gold is climbing again.

As far as the rest of the week is concerned, it's very hard to say, but I'd be wary of looking for another direction change for a while - though perhaps if buying fervour is still a bit limp, it may be more of a range-trade than before.

Day ahead

As mentioned, Bank Negara Malaysia is looking at its monetary stance today, here's what Prakash Sakpal thinks, "Bank Negara Malaysia's (BNM) policy decision will be out at 3 pm local time. The consensus is split on a '25bp rate cut' and an 'on-hold policy' outcome. We are in the 'rate cut' camp. Unlike most Asian central banks whose rate policies have almost reached their easing limit, BNM still has some room ease further. And, there is a strong case for it to do so today, as we explained in our [policy preview note](#) published on Monday. Markets have also have priced in a rate cut, judging from the more than 20bp decline in 10-year local currency bond yields since the last BNM meeting in early July".

Author

Robert Carnell

Regional Head of Research, Asia-Pacific

robert.carnell@asia.ing.com

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