

Off we go again

A Reuters story that any phase-one trade deal may not now be signed until next year has set markets off again. Bond yields are lower, though they had been falling anyway, Asian stock futures are mainly in the red following on from declines in US and European equity markets overnight. USD/CNY looks steady for now, but this would normally push CNY weaker.



Source: Shutterstock

Here we go...

US Treasury yields have been falling slowly for some days, and the Reuters story mentioned in the summary has probably only served to give them a push in a direction they were already willing to travel. The obvious question now is how far do they fall?

There are some technical and some fundamental factors to take into account when answering this question. The first is to note the rising yield lows since Aug 30, which would suggest it won't be plain sailing all the way back to the September 1.458% low. Regulations prevent me from saying much more than this, but you can draw your own chart and add appropriate support and resistance lines and draw your own conclusions.

Fundamentally, the key fact here is that from December 15, unless the Schedule 4B tariffs are

suspended (I suppose that is possible pending a new-year deal) then we really ought to consider quite a big break by both equity and bond markets. Those tariffs, if implemented would take us into new territory for this trade war, and, moreover, threaten the US consumer, the main support for the US economy right now.

The rest is all politics

I'm oddly glad that there was this trade story to talk about today, as it is at least tangentially to do with economics. Virtually all the other news in my newspaper this morning was market-relevant but political. For example, the Congressional vote on the HK protestors (doesn't help get a trade deal done admittedly), impeachment proceedings and testimonies, UK election hustings, Democrat nomination debates.

The Fed minutes were one of the few other bits of economic news out there overnight, and the gist of these seems to support where the market was already going, as most members still saw more downside than upside risks. We also had one Fed speaker, Lael Brainard, who seemed content that the Fed is done with easing for the time being, but also seemed to indicate that there was some further easing possibility in the future.

Iris Pang in Hong Kong SAR notes another political, but trade-related story, namely that the "...US has approved several licences for US companies to do business with Huawei. And it is also reported that US President Trump is looking to exempt Apple from tariffs. These steps could be the answer from the US to China's request to roll tariffs back to the situation in May. But we do not expect China will accept these as a replacement for lifting tariffs, as these company level exemptions will not be written as a clause in any trade agreement. The exemptions also hint that the US is finding it difficult to accept China's request for tariff rollback". She notes also that the yuan is expected to weaken, which I would agree with though it seems fairly steady right now, as do most Asian currencies.

Not really feeding into the trade story, but nonetheless on a downbeat market note, is the European Commission's (EC) castigation of Italy, France and Spain for not tackling their government debt effectively. While the rest of the world, including the European Central Bank (ECB), is calling for fiscal expansion, the EC is calling for more austerity it seems. No comment from me. You can guess what I think.

Asia today

There is a bit more on the Asian calendar today than there has been recently, including a Bank Indonesia (BI) BI is a central bank that definitely still has some ammunition left should it decide it is needed. We don't think they will move today though, although we still think we have a further 50bp of easing from them, probably in the first half of next year, data permitting of course.

We've also had 3Q19 Singapore GDP data, revised up, a little more than expected to 0.5%QoQ, and taking Singapore a bit further away from recession risk.

20-day November Korean export figures were also out, declining 9.6%YoY, a less dismal reading than the 19.5% decline in October, and providing some further evidence that the worst of the export slump has passed (as we noted yesterday also for Japan).

And Thai trade data for October are also released later this morning. The key expectation here is

for some narrowing of the trade surplus on a weak export picture. The surplus will remain large though, and we don't see this result denting THB strength particularly.

Author

Alissa Lefebre

Economist

alissa.lefebvre@ing.com

Deepali Bhargava

Regional Head of Research, Asia-Pacific

Deepali.Bhargava@ing.com

Ruben Dewitte

Economist

+32495364780

ruben.dewitte@ing.com

Kinga Havasi

Economic research trainee

kinga.havasi@ing.com

Marten van Garderen

Consumer Economist, Netherlands

marten.van.garderen@ing.com

David Havrlant

Chief Economist, Czech Republic

420 770 321 486

david.havrlant@ing.com

Sander Burgers

Senior Economist, Dutch Housing

sander.burgers@ing.com

Lynn Song

Chief Economist, Greater China

lynn.song@asia.ing.com

Michiel Tukker

Senior European Rates Strategist

michiel.tukker@ing.com

Michal Rubaszek

Senior Economist, Poland

michal.rubaszek@ing.pl

This is a test author

Stefan Posea

Economist, Romania

tiberiu-stefan.posea@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Jesse Norcross

Senior Sector Strategist, Real Estate

jesse.norcross@ing.com

Teise Stellema

Research Assistant, Energy Transition

teise.stellema@ing.com

Diederik Stadig

Sector Economist, TMT & Healthcare

diederik.stadig@ing.com

Diogo Gouveia

Sector Economist

diogo.duarte.vieira.de.gouveia@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

ING Analysts

James Wilson

EM Sovereign Strategist

James.wilson@ing.com

Sophie Smith

Digital Editor

sophie.smith@ing.com

Frantisek Taborsky

EMEA FX & FI Strategist

frantisek.taborsky@ing.com

Adam Antoniak

Senior Economist, Poland
adam.antoniak@ing.pl

Min Joo Kang
Senior Economist, South Korea and Japan
min.joo.kang@asia.ing.com

Coco Zhang
ESG Research
coco.zhang@ing.com

Jan Frederik Slijkerman
Senior Sector Strategist, TMT
jan.frederik.slijkerman@ing.com

Katinka Jongkind
Senior Economist, Services and Leisure
Katinka.Jongkind@ing.com

Marina Le Blanc
Sector Strategist, Financials
Marina.Le.Blanc@ing.com

Samuel Abettan
Junior Economist
samuel.abettan@ing.com

Franziska Biehl
Senior Economist, Germany
Franziska.Marie.Biehl@ing.de

Rebecca Byrne
Senior Editor and Supervisory Analyst
rebecca.byrne@ing.com

Mirjam Bani
Sector Economist, Commercial Real Estate & Public Sector (Netherlands)
mirjam.bani@ing.com

Timothy Rahill
Credit Strategist
timothy.rahill@ing.com

Leszek Kasek
Senior Economist, Poland
leszek.kasek@ing.pl

Oleksiy Soroka, CFA

Senior High Yield Credit Strategist
oleksiy.soroka@ing.com

Antoine Bouvet

Head of European Rates Strategy
antoine.bouvet@ing.com

Jeroen van den Broek

Global Head of Sector Research
jeroen.van.den.broek@ing.com

Edse Dantuma

Senior Sector Economist, Industry and Healthcare
edse.dantuma@ing.com

Francesco Pesole

FX Strategist
francesco.pesole@ing.com

Rico Luman

Senior Sector Economist, Transport and Logistics
Rico.Luman@ing.com

Jurjen Witteveen

Sector Economist
jurjen.witteveen@ing.com

Dmitry Dolgin

Chief Economist, CIS
dmitry.dolgin@ing.de

Nicholas Mapa

Senior Economist, Philippines
nicholas.antonio.mapa@asia.ing.com

Egor Fedorov

Senior Credit Analyst
egor.fedorov@ing.com

Sebastian Franke

Consumer Economist
sebastian.franke@ing.de

Gerben Hieminga

Senior Sector Economist, Energy
gerben.hieminga@ing.com

Nadège Tillier

Head of Corporates Sector Strategy
nadege.tillier@ing.com

Charlotte de Montpellier
Senior Economist, France and Switzerland
charlotte.de.montpellier@ing.com

Laura Straeter
Behavioural Scientist
+31(0)611172684
laura.Straeter@ing.com

Valentin Tataru
Chief Economist, Romania
valentin.tataru@ing.com

James Smith
Developed Markets Economist, UK
james.smith@ing.com

Suvi Platerink Kosonen
Senior Sector Strategist, Financials
suvi.platerink-kosonen@ing.com

Thijs Geijer
Senior Sector Economist, Food & Agri
thijs.geijer@ing.com

Maurice van Sante
Senior Economist Construction & Team Lead Sectors
maurice.van.sante@ing.com

Marcel Klok
Senior Economist, Netherlands
marcel.klok@ing.com

Piotr Poplawski
Senior Economist, Poland
piotr.poplawski@ing.pl

Paolo Pizzoli
Senior Economist, Italy, Greece
paolo.pizzoli@ing.com

Marieke Blom
Chief Economist and Global Head of Research
marieke.blom@ing.com

Raoul Leering

Senior Macro Economist

raoul.leering@ing.com

Maarten Leen

Head of Global IFRS9 ME Scenarios

maarten.leen@ing.com

Maureen Schuller

Head of Financials Sector Strategy

Maureen.Schuller@ing.com

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

Rafal Benecki

Chief Economist, Poland

rafal.benecki@ing.pl

Philippe Ledent

Senior Economist, Belgium, Luxembourg

philippe.ledent@ing.com

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

Inga Fechner

Senior Economist, Germany, Global Trade

inga.fechner@ing.de

Dimitry Fleming

Senior Data Analyst, Netherlands

Dimitry.Fleming@ing.com

Ciprian Dascalu

Chief Economist, Romania

+40 31 406 8990

ciprian.dascalu@ing.com

Muhammet Mercan

Chief Economist, Turkey

muhammet.mercan@ingbank.com.tr

Iris Pang

Chief Economist, Greater China

iris.pang@asia.ing.com

Sophie Freeman

Writer, Group Research
+44 20 7767 6209

Sophie.Freeman@uk.ing.com

Padhraic Garvey, CFA

Regional Head of Research, Americas

padhraic.garvey@ing.com

James Knightley

Chief International Economist, US

james.knightley@ing.com

Tim Condon

Asia Chief Economist

+65 6232-6020

Martin van Vliet

Senior Interest Rate Strategist

+31 20 563 8801

martin.van.vliet@ing.com

Karol Pogorzelski

Senior Economist, Poland

Karol.Pogorzelski@ing.pl

Carsten Brzeski

Global Head of Macro

carsten.brzeski@ing.de

Viraj Patel

Foreign Exchange Strategist

+44 20 7767 6405

viraj.patel@ing.com

Owen Thomas

Global Head of Editorial Content

+44 (0) 207 767 5331

owen.thomas@ing.com

Bert Colijn

Chief Economist, Netherlands

bert.colijn@ing.com

Peter Vanden Houte

Chief Economist, Belgium, Luxembourg, Eurozone

peter.vandenhoute@ing.com

Benjamin Schroeder

Senior Rates Strategist

benjamin.schroeder@ing.com

Chris Turner

Global Head of Markets and Regional Head of Research for UK & CEE

chris.turner@ing.com

Gustavo Rangel

Chief Economist, LATAM

+1 646 424 6464

gustavo.rangel@ing.com

Carlo Cocuzzo

Economist, Digital Finance

+44 20 7767 5306

carlo.cocuzzo@ing.com