

Phase 1 - Market reaction

Market reaction muted - pretty much says it all



Source: Shutterstock

What do I think? Who cares...

I realized many years ago that my opinion on the state of the world was irrelevant to markets. I'm a price taker, not a price maker. So where better to go for a view of what yesterday's phase-1 trade deal than markets.

And the reaction has been a market version of the Gallic shrug, a teenage "Whatever", a millennial "Meh" (...got to be honest, I'm not sure about the last one, but work with me).

US 10-year Treasury yields intraday movements were fairly modest around the time of release of the details of the phase 1 trade deal. But allowing for some time to digest the 94 pages of text ([here's a link so you can make your own mind up](#)) and despite some better retail sales data and more strong financial earnings figures, yields are more or less where they were at open on the 15th before the deal was published.

US stocks were also up on the day. But again, it's hard to disentangle the trade story from the economic data releases or the earnings reports.

Let's see how things were faring on the other side of the world. In China, we'll cut straight to the currency and stock market in the absence of the US' deep and liquid Treasury markets. Given the time difference, I'll focus on yesterday's reaction and it was down, having been largely flat on the 15th. Equity futures today also remain in the red. The offshore CNH is trading at roughly the same rate as at the end of 14 Jan, the day before the deal. So that looks like a bit of a washout too.

Of the other sentiment sensitive currencies in the region, no consistent pattern emerges. The KRW looks a bit weaker, as does the INR and PHP, the IDR looks a bit stronger. These differences most likely reflect local factors, not global ones.

[Here's more on the deal if you want it.](#)

Busy day for China today

Its a busy day for China today, with the release of 4Q19 GDP data. The consensus view is for a flat 6.0%YoY reading. But I guess we should consider what would be the impact of GDP coming in at 5.9%...

Firstly, that would mark the weakest ever year-on-year GDP release, at least based on the history from Bloomberg, which goes back to 1Q1992. As trend growth then was in the mid-teens, and 6.0 was not breached either during the global financial crisis or SARS outbreaks, I think it is safe to say that from a presentational point of view, it would be noteworthy. But then China's GDP will in all likelihood begin to trend lower over the coming years as the population continues to age, and as rising incomes make growth more reliant on technological progress and productivity gains, and less reliant on a simple "catch-up" formula.

So at some point, that nettle will need to be grasped, and with markets relatively relaxed currently, this would not be a bad time to play that card if the army of statisticians at work on these figures cannot reasonably massage and round up the data to deliver a nice round 6.0%. But if they couldn't, and I think we all probably regard China's GDP as a rough guideline to economic activity, rather than a laser-micrometer of value-added, then it would suggest that the underlying picture was indeed rather worse. Perhaps a just cause for some near term selling of risk assets.

That's an outside case though, and our own Iris Pang is more inclined to see upside risks to the data stemming from the stimulus measures that are beginning to bear fruit. 6.3%YoY is her call - at the top of consensus.

Industrial production, Fixed assets, retail sales and unemployment

The China data dump for December will also include fixed-asset investment, industrial production, retail sales and unemployment. The base story is likely to be one showing infrastructure spending supporting other parts of the economy, possibly including industrial production, as planned spending turns into realtime projects requiring the inputs of industry. How this relates to retail sales and unemployment is a bit blurrier.

But we will know more in an hour or two, so not long to wait...

Bank of Korea - nothing to see here

The Bank of Korea (BoK) also meets today, with only one of the 25 surveyed economists in the Bloomberg survey looking for a cut. That rate cut call - it isn't us. We're firmly with the pack on this one. Korea's economy seems to be bottoming and the housing market in places is looking warmer, which is causing some politicians to sweat. I think this no-change call looks fairly safe.

Singapore NODX

The December non-oil domestic export (NODX) figures for Singapore will be due out as this note is going to press, so I won't spend long on these. Watch out for our accompanying note if we feel they are worth a comment. The short story here should be a less negative year-on-year rate, but one that doesn't imply much of an actual recovery, more that things aren't simply getting worse.

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