Political noise is deafening

To be an economist used to mean focussing on growth and inflation indicators, with a bit of central bank watching thrown in - but these day's it's just politics, politics, politics

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A double dose of political porridge for breakfast

Markets are looking a bit jaundiced today. Have we had some weak macro data to turn sentiment? Well actually, yes. The US consumer confidence survey I mentioned in yesterday's note came in substantially weaker than expected and throws some doubt on the notion that US consumer strength will carry the day despite weak manufacturing. Have a look at JK's write up of the data here.

But even if yesterday had been a complete blank in terms of macro releases, markets would probably still have been upended by the news that Congress will now start impeachment proceedings against President Trump.

This will be all over your newspapers this morning. All I feel able to add to this is that this could go two ways. Firstly, with a Republican majority in the Senate, there seems little likelihood of the President being convicted of anything. Secondly, although the process may rake up some uncomfortable facts, it could still galvanize Trump support, so the impact on the forthcoming Presidential Election is very hard to call with any confidence. What it does do, instead, is add an even greater political element to an election that might otherwise be swayed by the state of the economy. It's no longer just "The Economy, stupid".

And another thing...!

Fair-haired politicians simply don't seem to be able to keep out of trouble these days, with the UK's blonde-barnet PM Boris Johnson being found unanimously to have acted unlawfully by the UK Supreme Court in his proroguing of parliament for an unusually extended period.

With the recently passed law preventing PM Johnson from exiting the EU on Oct 31 without a deal (without asking for an extension of article - 50), his options have come crashing down. He now either has to:

1. crack a deal with the EU before October 31 (if it was that easy, it would already have been done);
2. concede that the Theresa May deal was the best available option (inconceivable that he could back down on this);
3. or avoid the ditch of death and ask for an extension (or ask a colleague to do it for him).

Beyond this, however, Johnson's options look better. With the Labour opposition still in disarray, and a General Election callable during an article-50 extension (Labour would support this), a Tory majority election result could be seen as a proxy second referendum result in favour of "leave".

The UK may get a Brexit reprieve, but I would say the odds remain stacked in favour of Brexit happening, and it may still go out without a deal, but under a newly elected Conservative Government.

Central Banks dominate Asian proceedings today

Two central Banks meet in Asia today. The Reserve Bank of New Zealand (RBNZ) and Bank of Thailand (BoT). Consensus expects no cut from either. The risks are skewed to the downside though. What may keep the RBNZ on hold is:

1. The NZD has softened a fair bit and might be loosening financial conditions enough already without further easing
2. That, in turn, has stemmed from a slightly less dovish Fed outlook
3. Evidence that the last rate cut did nothing to improve the corporate sector's attitude towards investment, so why do more
4. Policy rates are already very low at 1.0% - so the RBNZ is running out of room if it wants to avoid unorthodox measures.

For the Bank of Thailand, we can't cite currency weakness - indeed, the THB is as strong as ever and provides one of the main arguments for our non-consensus 25bp rate cut view. Add to that a very weak domestic demand picture, doubts about the implementation of recent fiscal stimulus, and a gloomy external backdrop with falling tourism revenues, and the argument seems pretty clear cut. But the BoT remains a resolutely hawkish institution, and inertia, as much as anything, could see the outcome coming in line with consensus today.

Aside from this, a slight uptick in Malaysia's inflation is expected - but only to 1.5% from 1.4%. This has very little market relevance.

It is a quiet day (for macroeconomics at least - I can't vouch for politicians) in the G-7.

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