

## 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



Source: Shutterstock

### 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.

## Author

### Robert Carnell

Regional Head of Research, Asia-Pacific

[robert.carnell@asia.ing.com](mailto:robert.carnell@asia.ing.com)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.