

Political pantomime

Markets seem to be looking through the political theatre that is being played out in the US and elsewhere. So whether it is the US Presidential Election, or Brexit negotiations, amidst a mixture of nerves and optimism, the clearest trend currently is dollar weakness - for which look no further than USDCNY or USDKRW



Plenty for markets to chew on

US stock markets, which set the scene for global equities much of the time, remain soggy. It's not an outright sell-off, but they have certainly been finding it easier to go down in the last week or so than to go up. Perhaps oddly, the same can also be said for bond markets. That isn't usually the case, as portfolio managers switch between equities and bonds so the prices of both tend to be negatively correlated. This is, therefore, not a risk-off move as is evident by the astonishing strength of Asian FX, in particular, CNY and KRW, but we are also seeing some recovery in the AUD, NZD and JPY too.

Also, I strongly doubt that headlines about Pelosi and Mnuchin making progress on a fiscal deal are relevant for the markets recent price action. I don't think it helps the Democratic Presidential bid to cede sufficient ground to enable a fiscal deal right now, so long as they don't appear to be the main reason for its hold up. By the same token, I don't think Republican Senators are ready to vote through a deal with a ticket price as high as \$1.9tr, with or without pressure from President Trump.

Neither side wants to be portrayed as the villain in this drama, so both are appearing to be constructive, while simultaneously dragging their feet and counting down to the closing credits.

Which leaves longer-term considerations. In this case, the most likely in my view is that markets are now pricing in a strong likelihood of a Biden Presidency perhaps even clean sweep of Congress, and this is weighing on the USD, as they view a less confrontational trade environment. They will also probably be factoring in a large fiscal stimulus early next year, with none of the hold up that is currently preventing a deal. That may be nudging bond yields higher. But higher tax rates on corporates, which are also a feature of the Biden platform, may also explain the lacklustre behaviour of stocks.

There is less than two weeks to go until the polls close, and one possible Presidential debate left (may or may not happen if what I read is accurate). So assuming that there are no cataclysmic revelations between now and then, this sort of soft dollar, rising yield, soggy equity backdrop is probably going to be the main storyline in this soap-opera.

The Brexit theatre enters pantomime season

To speed up a resolution of the Brexit saga, which has now been dragging on for more years than I care to remember, I think that as negotiations enter their final intensive phase, the key negotiators should each now be forced to dress as characters from the seasonal pantomimes that UK school children would normally be attending at this time of year (had it not been for social-distancing). That would focus their minds on achieving a result. The EU's Michel Barnier dressed as Widow Twankee, for example, and the UK's Lord Frost as Aladdin (complete with tights) would put this spectacle into its proper light, which is to deliver a theatrical ending, in which the UK can be seen to have achieved some sort of flag-waving patriotic victory for Boris Johnson to parade to voters and his sceptical party members alike. And for the EU, to simply get a workable deal which doesn't leave them too much worse off than before.

The timescale for some sort of agreement has now slipped back into Mid-November, and there will doubtless be a flurry of ratifications necessary in member states before this can be passed, which will take the theatre right to the closing curtain on Dec 31. As pantomime season will not be taking place this year in all likelihood, enjoy this instead. Markets seem to have read to the end of the script anticipating a happy ending if the pound's recent price action is anything to go by. It's not a done deal, but to my personal jaded way of thinking, that is what we are now witnessing. Political theatre.

Asia today

It's a quiet calendar in the G-7 today with some debt data from the UK, and jobless claims and housing starts unlikely to provide much of a nudge to markets in either country.

In Asia, it's quiet too, Prakash Sakpal reviews the looming Thai trade data due later this morning, and also yesterday's inflation numbers from Malaysia below:

"Thailand: September trade data is due today. Year-on-year export growth in the majority of Asian economies has crept back into positive territory in September. But not yet in Thailand where the key export drivers, electronics and automobiles remain missing in action. However, we expect September to be slightly less negative (-3.0% YoY vs. -7.9% in August). With continued deep import falls (ING forecast -18% YoY) the trade surplus should stay near its record high; August's \$4.3 billion

surplus was the second highest. This is positive for the THB. The currency has been pretty resilient to the latest escalation of political turmoil in the country with the USD/THB firm around the 31.20 level. We maintain our end-year forecast of 32.30.

Malaysia: In a hopeful sign of domestic demand returning, vehicle sales posted a strong rebound in September (up 7% MoM and 26% YoY). But that wasn't evident in yesterday's consumer price data for September; inflation was steady at -1.4% YoY, led by continued declines in housing and transport components. The second wave of Covid-19 outbreak since last month could still derail the recovery. Strengthening this headwind to recovery further are occasional bouts of political jitters. All eyes now are on the 2021 Federal Budget to be unveiled in early November. We expect expansionary policy to remain in force for the foreseeable future".

Author

Amrita Naik Nimbalkar

Junior Economist, Global Macro

amrita.naik.nimbalkar@ing.com

Mateusz Sutowicz

Senior Economist, Poland

mateusz.sutowicz@ing.pl

Alissa Lefebvre

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