

Politics still dominating

US President Trump does not seem to have gained much from the Phase -1 trade deal, but he may not lose that much from the impeachment process either



US politics

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The clock is ticking

With barely ten months to go until the next US Presidential Election, we hope our US colleagues will forgive us from ruminating on that event and its implications for Asia from time to time over the coming months. We are, after all, at one end of what has been a very nasty trade war, and what happens in the US and to the USD, does have very great ramifications for our region.

A story I picked up from the newswires this morning ran with the theme that the recent trade deal would go some way to offsetting any political damage to President Trump due to the impeachment process currently underway. I'm not sure I buy this view on a number of levels.

For one, I'm not sure that the trade truce, or whatever you want to call it, has done all that much to lift President Trump's national approval. I took a quick look at Nate Silver's excellent [FiveThirty-eight site](#) this morning, which for amateur punters like myself, provides a quick insight into a political system that can otherwise be quite opaque. I can't see much of a trade deal spike. But neither do I believe the impeachment trial will do much to harm the President's approval ratings either. Depending on your politics, you will either accept all the evidence as damning, or conclude

that this really is just a witch-hunt, and move along. So the conjecture of the article I referred to seemed a bit like an idea in search of a story.

One thing that does still bear watching, however, is the state of the economy.

[James Knightley sums up the state of the economy in the colour "Beige"](#), the same colour as the Fed's regional survey of the economy. I can't add much if anything to this, but two US data points that came out late Friday Asia time and caught my attention this morning are the strong spike in new home starts (possibly weather related - this is not home building season, so perhaps a seasonal aberration?), and, maybe more worrying, the continued slackening in the JOLTS job openings.

With the labour market likely one of the key factors to weigh on household confidence, any weakening here might have more damaging consequences than any political developments. For completeness, I should add, other labour market data is available, and some of it (the last jobs report) in contrast has been quite strong. It's worth following the JOLTS numbers though.

A little bit more politics

Sticking with political themes, as there is precious little happening on the economic calendar today, the relative calm in Hong Kong has been shattered again over the weekend, with violent clashes between police and protestors. Hopefully, this will prove to be a spike in an otherwise improving trend.

I imagine that the incremental damage to the economy from this latest fracas will be relatively small. Much of the damage to Hong Kong's economy has already been done. Hong Kong remains important as a conduit for China's international finance needs, and in my view will likely continue to be important in this area for a very long time. But as a source of growth for China and the region, there are other, much more important factors.

Week ahead

We're struggling a bit today to fill this note, so [here is a link to Prakash Sakpal's week ahead note](#), which summarises the three central bank meetings this week (Bank Indonesia, Bank Negara Malaysia, and the Bank of Japan) none of them is likely to change policy.

Outside Asia, we also have the Bank of Canada (also no change) and the European Central Bank (no change, but could shed some light on Lagarde's policy review. [Here is a link to what our colleagues wrote back in December about the review that starts this month](#)).

In addition, we also get 4Q19 GDP data from the Philippines, Korea, and Taiwan, where the overall story should be of bottoming growth.

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