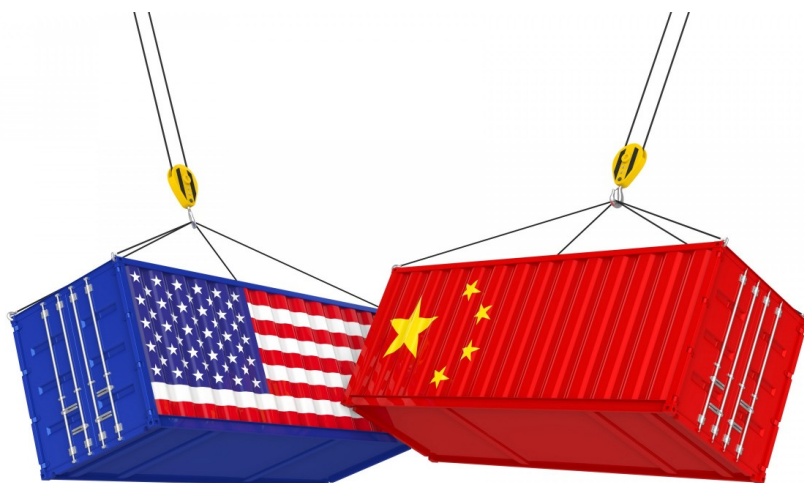


Reality check

Yesterday's Chinese trade data provided a reality check to those who have been peddling a more upbeat trade story on the back of US-China talks. Current tariffs are already doing considerable damage, and merely not adding to that burden will not deliver a turnaround. Indonesian trade data due today will likely show how this is affecting Asia more broadly.



To feed your Brexit cravings - click on following link

We are giving Brexit a break today - plenty of time for that tomorrow - if you want a good news story on what happens next, try [this](#) from BuzzFeed.

It's bad...

The negotiators may be making positive noises, especially from the US side, but we are taking nothing for granted in the trade talks between the US and China, and as yet, little concrete has been announced. There are no promises to roll back earlier tariffs. At best, talks have reduced the possibility of further, higher tariffs. And the Chinese concessions made seem relatively minor. China is pretty much an open door as far as exports of LNG - they have a structural energy shortage, so the more the better. Much the same is true of agricultural products, especially soy.

And they need machinery, especially of the technological kind, to manufacture their higher value-added products. So their pledges to import more of all of these goods does almost nothing to shift China's basic position.

As for the US, some of the more unrealistic demands, the cessation of support for state-owned enterprises (you might as well ask China to abandon the one-party state) may be being scaled back in favour of more achievable goals. Intellectual property remains a thorny issue. Some new Chinese laws to prevent the coerced transfer of technology seems unlikely to be sufficient to win further US concessions. And then there remains the issue of timing. Does the removal of tariffs, or prevention of additional ones depend on some time-dependent and subjective improvement of the trading position by the Chinese? That's unlikely to be an acceptable state of affairs by President Xi, so we remain rather concerned about this story, and as a result, haven't given up on some further dollar strength before the quarter-end.

...it could get worse...

The weakness of the Chinese December trade data are a historical fact now. The details and our view are contained in the [linked note](#) by our Greater China Economist, Iris Pang. Further economic stimulus measures will be needed. The authorities seem to be taking their time to deliver this, perhaps chastened by the overkill of their stimulus in the financial crisis. The eventual package may be very substantial. Its size will be contingent on just how bad the situation in China gets. And that is the nub of this question. What appears highly evident by the run of recent data is that the Chinese economy is already being hurt by these tariffs. We may not see the full effect of this reflected in official GDP figures. Those numbers still seem to be more of a political statement than an accurate reflection of what is happening on the ground. But the industrial profits numbers tell a different, more negative, and probably more accurate story of what is going on.

...and the currency could well be part of any fight back

All of which leads us to the thought that USDCNY 7.0 may have drifted away from traders sights, but over the coming months, the currency is likely to have to be used as well as all the other policy tools at the authorities' disposal, and it is probably too early to throw away those 7-plus forecasts for the yuan just yet.

Could it spread?

Today, Indonesian trade data will shed some light on whether China's trade problems are being transmitted elsewhere in the region. Indonesian trade growth (YoY) has been in a trend decline since mid-2017, and last month's November data punched down through zero to register a year-on-year contraction. The more recent weakness seems to show a steepening of the downward slope, so it already looks as if Indonesia is being affected by China's trade problems. We'll see how much later today.

Korean December trade price data did not make for particularly pleasant reading today either. In year on year terms, the prices of exports are falling (-0.6%), whilst import prices are still growing, (3.2%YoY). So Korea's terms of trade are deteriorating, and not surprisingly, the KRW is looking softer as a result.

China's Money supply and Philippines OFW remittances

Today's remaining data includes Chinese Money supply and new loans data, which always take quite a lot of interpreting as policy measures shunt funds from one area to another. Philippines OFW remittances are usually strongest in December. Today's November number may give us some clues as to how strong that is going to be, and how much of a boost to the PHP.

Author

Amrita Naik Nimbalkar

Junior Economist, Global Macro

amrita.naik.nimbalkar@ing.com

Mateusz Sutowicz

Senior Economist, Poland

mateusz.sutowicz@ing.pl

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