Rob's Carnell's Asia view

Setting the scene from Singapore this Thursday morning

Fed minutes and corporate America

Nothing much new from the FOMC minutes last night; the December rate hike seems as close to a done deal as one can ever get, though there was some interesting debate on what to do next year, with the current depleted FOMC camp split on how to operate when the inflation gauge is no longer a reliable pointer for monetary policy changes. Following some recent changes in the market outlook for the Fed in 2018, these minutes may have given some converts to a more active Fed cold feet. Bond yields have come off a little across the curve.

We are, however, heartened to see some FOMC members taking financial stability into account even when inflation is failing to do what is expected of it. It's funny how quickly we forget the damaging consequences of events such as the global financial crisis, only to focus on theoretical but unreliable trade-offs between short-run growth and inflation... US data yesterday were in fact far better than they looked, though markets may not have been receptive to that message. US Durable goods orders/shipments for October fell. But the headline orders index is a horribly noisy data point. The trend for both core shipments and orders (measured by the three-month moving average) strengthened further.

Irrespective of forthcoming tax cuts and write-offs for R&D, corporate America is investing hard

right now. That bodes well for 4Q17 GDP. Consumer sentiment fell too. But it remains at exceptionally elevated levels, so this really is no more than noise. Once they have slept off their Thanksgiving dinners, US consumers should still remain optimistic enough to go on a spending splurge in the forthcoming sales.

Looking to Europe

ECB minutes today may prove no more edifying than the FOMC minutes, though recent comments from Benoît Coeuré, to the effect that the language of the ECB may shift away from asset purchases next year to interest rates, is worth probing further. Little chance of any such language change yet, but perhaps the discussion of forward guidance in the minutes might be worth more than the usual skim?

The UK's budget yesterday may have been described as something for everyone, but I doubt many people in the UK are feeling much more financially secure today unless you are thinking of buying a home for less than GBP300,000. Good luck finding one. Though that might prove easier in a year or two, depending on how Brexit negotiations go. The budget also pointed to worse growth outcomes over the forecast horizon and worse revenue receipts.

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