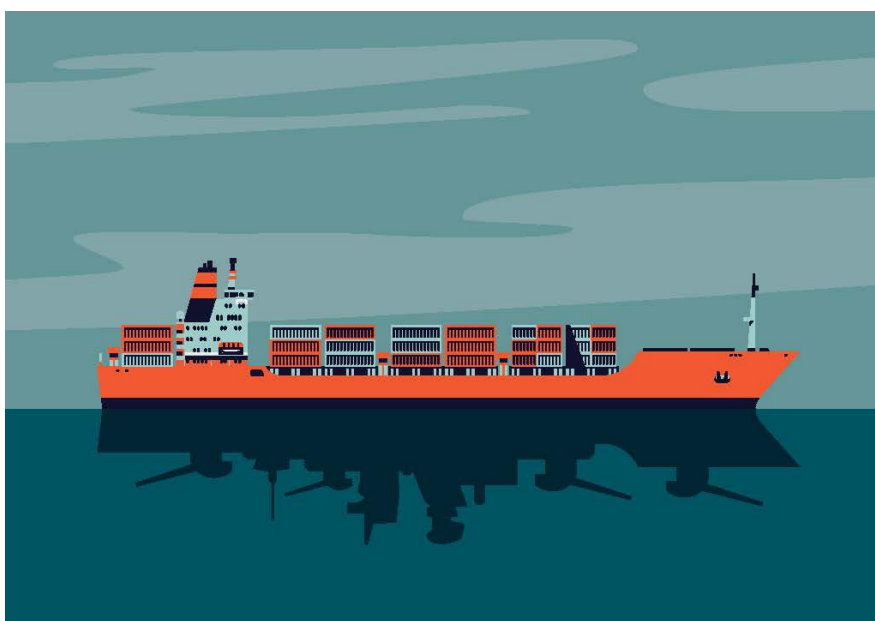


Shock news: Businesses don't like tariffs

This week, the US starts the public hearing into raising tariffs of 25%, not the originally suggested 10% on \$200bn of Chinese imports - US businesses will protest



Source: London Publishing Partnership

Tariffs are a tax on imports, businesses rely on imports

The public hearing on whether the next wave of US tariffs on Chinese imports should be 10% or 25% is likely to hear an outpouring of anger from US businesses this week. Why? It's pretty simple. Businesses and consumers in the US import lots from China - about \$500bn (in approximate terms). And tariffs are a tax on those imports - they become more expensive. So business margins get squeezed and firms may invest a little less, and employ a few fewer employees. Consumers face not only higher prices, eating into their disposable incomes, but the central bank - the Federal Reserve, will likely carry on raising interest rates a little bit longer, taking them a little bit higher, causing the dollar to appreciate and hurting US business competitiveness.

Asking businesses whether tariffs should be raised 10% or 25% is a bit like asking them whether they want to be kicked in the foot or the face. Don't expect a polite reply.

Jackson Hole - Monetary policy in a changing economy

The title of Jerome Powell's Jackson Hole speech (see above) shouts out - "We are not going to give anything away about monetary policy". But just in case it does, I guess we should keep our eyes and ears open. Indeed, the popular notion that Jackson Hole is a traditional venue for signaling changes in policy direction is not supported by history, even the alleged signaling of new rounds of stimulus from this were most likely [accidental](#).

What we can say almost for sure is that the Fed will hike rates again in September. And after that, we doubt even the Fed is that clear what comes next. That will be highly dependent on factors out of the Fed's control - the evolution of the trade war, developments in emerging market economies including China, where the dollar goes next... That said, a further hike from the Fed in 4Q is still looking a reasonable call, barring accidents. Powell won't make this any clearer.

Author

Robert Carnell

Regional Head of Research, Asia-Pacific

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 www.ing.com.