

Some genuine reasons for optimism

If yesterday I was quite scathing about the reasons for market optimism, today, I think they should be a bit more encouraged



Some genuine good news

Yesterday's vaccine-hope-based rally in risk assets had very feeble underpinnings. A very small-scale Covid-19 vaccine safety trial had managed to elicit an immune response, though with some fairly mixed side effects, and was clearly still some way off a vaccine that was proven, safe and could be produced on an industrial scale. The front runner all along in this vaccine race, The Oxford University trial, is looking much more promising, and you will be able to read all about it in your newswires and newspapers today. But suffice it to say that optimism is rising about the possibility of mass production of a vaccine, even as soon as this year. While that doesn't help us right now, it does offer grounds for optimism, and as such, I would think markets ought to be a bit more buoyant than they are, which suggests that recent gains were really running on fumes, rather than on solid fuel.

It is also positive from a risk asset perspective (leaving politics aside), that President Trump seems to be leaning against imposing sanctions on Chinese officials following his signature yesterday of the Hong Kong Autonomy Act. It may be that he is saving this up to use at a time that is more politically helpful as the Presidential Election nears. Whatever the reason, the absence of any imminent sanctions also bodes well for risk assets in the near term.

The spotlight seems to have shifted away from China to Russia in terms of geopolitical illumination, with Secretary of State, Mike Pompeo, making threats of sanctions over Nord Stream 2, and Turk Stream - two Russian gas pipelines that will supply gas to Europe and Turkey. Europe's counter to this, "Where are we supposed to get our gas from?", is not an unreasonable one. Though getting these gas pipelines up and running will clearly only address one aspect of Europe's energy security problem, and politically, will draw Turkey closer to Russia, and away from the West. That's probably what this is all about.

Busy day ahead

It's a busy day ahead with the China GDP and other activity data dump later this morning. We are struggling with the notion that China can virtually return to pre-Covid levels within one quarter, which is what the consensus figures are suggesting. Clearly, all is not back at 100% in China right now, and no one would reasonably expect it to be. So is this all an artefact of an implausible inventory build or something else? And if it is, shouldn't we be a bit concerned about the recovery's durability. Far too often, and especially in command economies, the focus is on GDP as an ultimate goal, when it is, in fact, quite a stupid goal. You can make GDP rise by some very counter-productive means and do plenty of damage to your economy and population in the attempt. There really are better targets. Still, we'll worry about the figure when it comes out. For what it is worth, we favour a much weaker number than the consensus growth numbers.

The Bank of Korea meets today, though they made it fairly clear at their last meeting that they were done easing. And with government stimulus money now flowing, and concern mounting again over Metropolitan Seoul house prices, the odds of a further easing from the BoK have lengthened considerably.

Australian labour market data due later this morning is centred on a 100K increase in jobs. I'd be tempted to suggest a stronger figure. Some of the most recently lost jobs will have been of the easy-come, easy-go variety and concentrated in the part-time sector. With the economy (outside Victoria) opening again, it is entirely conceivable that a lot of part-time jobs in retail and hospitality sectors will come back quite quickly. The harder work will be repairing damage to full-time employment, stemming from business failures during the Covid-19 crisis.

Outside of Asia, today's ECB meeting will probably be the main focus, though with little expected in terms of concrete policy measures. [Our economists and FX strategists write about what to expect in this note.](#)

And in the US, retail sales will continue to show strong gains but will remain well down on pre-Covid-19 levels, so the market can read these whichever way it wants depending on its prevailing mood.

Have a productive and safe day.

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 Antoniuk

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