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Stormy in a teacup

Revelations about President Donald Trump's hush money payments have been weathered by markets - but for how long?

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Can the news ever damage the US President?

For a President who once remarked "You know what else they say about my people? The polls, they say I have the most loyal people. Did you ever see that? Where I could stand in the middle of Fifth Avenue and shoot somebody and I wouldn't lose any voters, okay? It's like incredible," the admission that he repaid hush money to his lawyer to silence Stormy Daniels may or may not lose him some support. His people it seems, really are pretty loyal if approval polls of Republican supporters are to be believed.

What is potentially more problematic for the President, and more relevant for financial markets, is if a legal case can show that this personal spending, which was not disclosed at the time, could have had a meaningful impact on the election outcome. Election rules on this sort of personal spending are pretty strict, with harsh penalties for abuse. I'm no lawyer, so I can't comment on the legal basis of any claim that may be made, but this is the relevant overnight discussion on newswires, not whether it will cost Trump any support. So far, despite some fairly turbulent overnight volatility in currency markets, bond markets have rallied a little and the stock market was almost unfazed by the news.

China trade talks - positive start, nothing really to report

The China-US trade talks are generating lots of interest, but little real news. One US spokesman, Mike Pence's Chief Economist, remarked that the talks had got off to a positive start, he had heard. But there is really nothing to report here. Over the next few days, we get Chinese current account and trade data for April. These figures may make for uncomfortable reading for one or other side, though with China reportedly switching as much of its soy-bean purchasing from the US and to Brazil, we can only imagine that May and June Trade figures will show the bilateral China-US surplus growing, not shrinking. We may or may not have a resolution to the tit-for-tat tariff threats by then. Stories that Chinese customs officials are inspecting US agriculture imports box by box will probably not help these talks come to a positive outcome.

US Jobs report - wages in focus

As our colleague in London, James Smith writes, today's all-important US labour market report should show a bounce-back in jobs from the weakness last month. But the biggest story may again be about wages, amidst growing signs that the US is running out of workers. If not, then it is worth considering that there may be something structurally different about the US (and other similarly affected economies) whereby full employment has a much more muted upwards impact on wages than in the past. This does not mean that the Phillips curve is dead, or broken as some analysts suggest. But who said that the relationship had to be fixed in time forevermore? That seems a more preposterous claim that somehow, this time really is different. I don't doubt for a minute that eventually, labour market tightness will push wages up. But the broad array of charts that show wages failing to respond along historical lines to market pressures does imply something new. What could this be? There are plenty of candidates, and none of them have a monopoly of explanation here, but automation and replacement of labour with technology would be at the top of my list.

Market expectations for wages are already pretty depressed at 0.2%MoM, resulting in no-change to the 2.7% YoY hourly wages growth rate. The monthly run-rate has been stronger than that, with only one month (February) showing a lower than 0.3%MoM result since the 0.2% decline in October last year. But while there is, in my opinion, fairly even event risk from the wages release, the market risk is probably stacked towards a softer number. That might weigh on Fed hike expectations, whereas a 2.8%YoY number would still not break new wage growth ground, so may concern investors less.

Day ahead - not much else

Aside from the US labour market numbers, the Asian calendar is fairly full, but only with second-tier releases, few if any of which are likely to be very market moving. Out of the bunch, the Philippine CPI figures for April could be the most important, where there is some chance of a higher inflation print at 4.6% than the consensus 4.5% view (the previous figure was 4.3%) thanks to food and energy prices rises.

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