

## Tails it is...

Markets are down again today, maybe unnerved by fears that the US Senate will not pass a budget bill in time to avoid a US government shutdown



falling stocks

### Senate vote tactics threaten another government shutdown in the US

The saw-tooth pattern that has held all week continues to hold, with US equity markets selling off hard again overnight. The Dow shed another 1000 points (a little over 4%). But this does look to have been an avoidable upset. If we are to look for catalysts, the demand by a single Senator, Rand Paul, that there be no vote because he doesn't like the implied increases in the Federal deficit that would result. The way the rules work, unanimous consent is required to hold a vote within two days of a bill sent to the Senate from the House of Representatives. So unless Rand Paul withdraws his objection by midnight US time (noon HK and Sing time) the US will face shutdown again. Even if Paul agrees to a vote in exchange for a vote on amendments on spending caps, it would then open a can of worms and invite other amendments, postponing the vote, and still likely resulting in a government shutdown.

Although a vote on the budget will eventually be held, and any shutdown may well be short-lived, with financial markets vulnerable at the moment, this was not great timing for such political

brinksmanship. We also head into the Chinese New Year at the end of next week, and this will likely also see investors look to reduce their risk exposure. That too was likely as we headed into the weekend. A bounce on a resolution to this Senate vote next week is possible, but the risk remains that this would struggle to persist as liquidity dried up at the end of the week.

## Asia - trade dominates

After the surprising bounce in China imports earlier in the week, more trade data dominates today's Asia economics calendar. The Philippine trade balance is expected to recover from its awful reading of -\$US3.781bn in November, to -\$US3bn in December, though this would still maintain the trend direction to wider deficits. There is no consensus on the Indonesian 4Q current account, so this is a straight up or down choice. The 3Q figure was a deficit of -\$US4.337bn, and this will provide the marker for market reactions.

### Author

#### Robert Carnell

Regional Head of Research, Asia-Pacific

[robert.carnell@asia.ing.com](mailto: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 <http://www.ing.com>.