

## The outlook is anything but clear

Today's Brexit vote could provide a glimmer of clarity, at least on this one issue and before the UK descends into the murk of actual trade negotiations. But on all other fronts, the outlook remains clouded.



Source: Shutterstock

### Brexit - today's the day, maybe...

You just have to admire his tenacity. Despite most of his notes having a shelf life that can be measured in hours, James Smith (JS) is at it again, with another look at [what could go wrong in today's "second reading" of the Brexit bill](#). Since writing, option 1 - the "meaningful vote" has already dropped by the wayside, being deemed too repetitive by Speaker of the House, John Bercow.

So it is all the other points that now matter, most notably the second reading of the Brexit bill and the programme motion that will follow it. As JS notes, on paper, Boris Johnson appears to have the votes he needs. But only by a handful. And it would likely need some opposition Labour Party votes, defying their own party whip which wants an amendment to include a referendum on the Johnson plan. There is also a move by Labour to try to form a working alliance with the Democratic Unionist Party (DUP) and others to try to thwart the Johnson plan. They fear that if the Johnson bill passes, he will then seek to secure a "Canada style" loose trading-arrangement with the EU. It is possible that Conservative MPs favouring a softer form of Brexit may be persuaded to side with that. We will hopefully know one way or the other by this time tomorrow.

There is still so much that can go wrong/right, depending on your viewpoint. [This article by the Guardian is also extremely good on these areas if you want a further read.](#)

## Market outlook - ask the experts

I chaired the sell-side panel of the Emerging Market Traders Association (EMTA) yesterday here in Singapore. It was the third year I have done this, and I have to say, it is a lot harder chairing a panel than being on one. Hong Kong EMTA on Thursday.

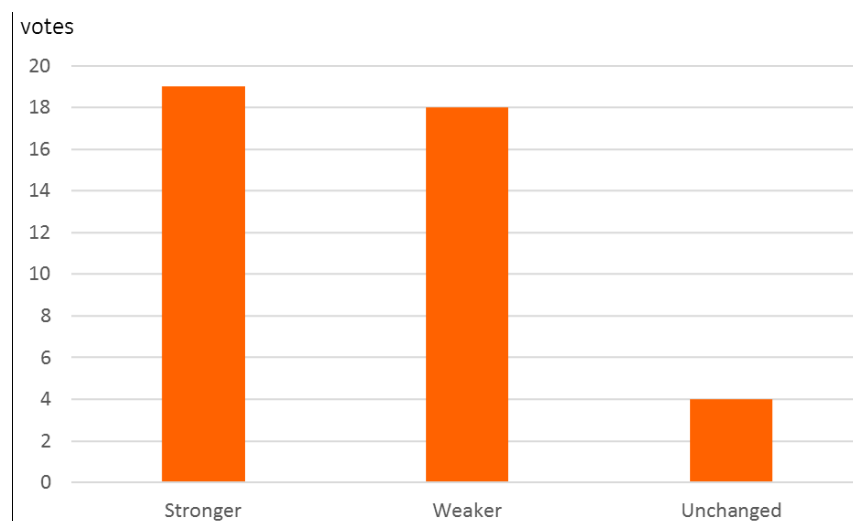
My panelists were, as ever, excellent. Thanks to all of them. I started with a quick poll of the audience's views on the outlook for Emerging markets between now and the next EMTA meeting in 12 months' time. The result was virtually a tie between stronger, and weaker, with a handful of "about the same". (See chart below)

To be fair to the audience, the panelists also expressed views that tended to match this impasse, with strident and well-argued cases for each wing of the outcome, as well as a kind of lingering stagnation that probably best reflects the third option. it was a similar outlook for the USDCNY rate.

In a similar vein, Bloomberg's Cameron Crise' always excellent daily commentary strikes a similar tone.

It's hard to pick the direction right now.

## EMTA Singapore views on EM Market outlook in 12M



Source: EMTA, ING

## Asia / G7 today

It's quiet - too quiet! There is virtually nothing on the calendar for today in Asia. We already got the Korean September PPI figures, and they were soft at -0.7%YoY. Taiwan unemployment and Philippine budget balance are about the only other notable calendar releases.

The last 24 hours has also seen some new cabinet appointments in Indonesia. An unusually (these days) inclusive decision has seen President Joko Widodo appoint the opposition leader, Prabowo

Subianto to the cabinet in charge of defense. This augurs well for political cooperation and progress.

Comments on the US-China trade negotiations are looking a bit more positive. Iris Pang in HK writes, "The SCMP reports that "...White House economic adviser says 15 percent US tariffs on many consumer goods from China could be withdrawn if negotiations continue to go well". But how well are the negotiations going? We still haven't even seen the texts of the agreement. China has requested the US to roll back all the tariffs in order to buy an annual amount of \$50 bn agricultural produce. But so far, what is really being talked about is deferring some tariffs that have not yet been implemented. Actually rolling back some tariffs that are currently being levied would, of course, be great news. So even though both sides so far say there has been progress in the draft deal expected to be released in November, there remains considerable uncertainty about this trade negotiation".

There isn't much going on in the G-7, with UK public finances and business trends vying with Canadian retail sales and business outlook for attention. Keep an eye on September US existing home sales though. The US housing market has been buoyed by lower bond yields and hence mortgage yields. But it is about the only part of the US economy that looks in decent shape right now and is providing a lot of support to the consumer sector. If residential housing begins to lose steam, although it is small in its own right, it could bring large parts of the rest of GDP with it. That would change the picture. With US Treasury yields now back up at about 1.80%, a lot of the refinancing activity that spurred this housing pick-up will have been choked off.

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