

Trade talks pantomime

The 'great progress', 'miles apart' feedback from trade talks is reminiscent of a Christmas Pantomime. 'Oh yes it is!', 'Oh no it isn't!'. No prizes for who I would cast as "Widow Twankey" ([what is Carnell going on about today???](#))



If its "miles apart" then its USD positive

When the trade talks are doing well, the dollar should weaken, Asian FX should strengthen, and when, like today, the news takes the opposite turn, the dollar should strengthen. That more or less holds today, though the further complication was very weak US retail sales yesterday, which though likely affected to some extent by adverse weather and government shutdowns, is also corroborated by some higher than expected jobless claims, raising the prospect that the US slowdown is happening sooner than had been thought, and also raising the chances that we may have already hit peak Fed funds (House view - we still have 1 further hike in 2Q19).

Such a story would also provide support for 10Y US Treasuries at their current 2.65% level - keeping a steady 15bp or thereabouts above the 2Y note (2.495%), 15bp above the Fed funds target upper bound (2.50%) and 25bp above the effective Fed funds rate (2.40%).

Probably not market moving, but anyway...

I don't think the latest twist on the US border wall/government shutdown threat is particularly market moving, but for what it is worth...President Trump will sign the Congressional budget plan which includes some wall funding, but not what he asked for, but he is now indicating that he will press on with an emergency declaration to secure the additional funding. Meanwhile, Nancy Pelosi, House Speaker, says she will probably challenge the emergency declaration in the courts.

This also has a pantomime feel.

He's behind you!

Theresa May would not make a particularly convincing Aladdin character, though there are plenty of contenders for the role of Wicked Uncle Ebenezer (or Abanazar if you prefer the more Persian spelling). I'm not saying who...that would only land me in trouble.

Last night, she once again got a drubbing in the House of Commons on a vote over her process of trying to get better terms for the UK from the EU. May claims to be making progress in these talks. I don't think anyone is buying that story, and it looks much more like she is trying to run the clock down to force Brexiters to vote for her deal, or face a lengthy delay. The smart money is increasingly on a lengthy delay.

Asian Data today

Prakash Sakpal comments on Asian trade data out today:

India, Indonesia, and Taiwan all report their trade figures for January today. And all the figures will be scrutinised for clues about the impact of the trade war. But it's not just the trade war that's affecting these numbers. The ongoing downturn in global electronics demand has already started to depress Asian exports. A steeper decline in Korea's exports in January suggests we can expect the same from Taiwan today, although a surprisingly strong 9% growth in China's exports in the last month clouds the story. India and Indonesia are both experiencing a rising trade deficit, a trend that probably continued coming into 2019 on the back of strong domestic demand and firmer oil prices, while exports continue to be subdued. That's not such a bother if the USD remains on the soft side, but could become problematic if trade talks sour further and the USD strengthens.

Other data already out include Singapore's final 4Q GDP figures, which came in at a softer 1.9%YoY (consensus 2.1%). We have been assuming a 3.2% full-year 2018 GDP figure rather than the official 3.3% figure that has been suggested, and our lower number seems more plausible now with this softer 4Q data.

In contrast, yesterday's Malaysian GDP for 4Q18 came in higher than expected at 4.7%YoY ([see here for more detail](#)). A bigger contribution from net trade helped lift the figures. But with inflation low, and the growth rate sitting comfortably in Malaysia's potential range, this won't require any remedial action from the central bank this year.

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