

Trump might say “no” ...

Oil prices are in a whirl as we near a decision on whether the US will remain in the Iran nuclear deal - a decision is due later today from President Trump



Iran: US in or out?

Markets are confused and so am I. Within minutes of Trump saying that he would make his decision on the Iran nuclear agreement today in Washington, crude oil prices spiked higher - WTI through \$70/bbl and Brent through \$75/bbl. But then prices fell back. Why? We aren't entirely clear. On the one hand, it could be that European diplomats believe they are close to getting Trump to stay in the deal. On the other hand, it could be comments from Iran's PM Rouhani that Iran will stay in the accord even if the US leaves.

If the latter, then we think that is very near-sighted reasoning. If the US leaves the accord, then few nations will take the risk of trading with Iran, for fear of US sanctions. It doesn't matter what your country decides about Iran if in the process it cuts your businesses off from US trade.

So right now, for me, the only question is whether Trump says "yes" or "no" to the agreement. "No" will be a much easier sell to the US electorate, and for that reason alone, I believe that is what Trump will decide. Its all about popularity. And right now, his is poor.

Financial markets beginning to move again

Markets are showing a little more direction again, with the USD making ground again against the

EUR, and consolidating below the 200-day moving average. US Treasury bond yields haven't budged though, and remain at 2.95%. It feels like they just can't go up from here. But they don't want to go down either. Stocks are showing signs of being upbeat - which given the ambiguity of the Iran story, seems wrong, but it takes a lot to take the smile off most equity investors. So until the bad news is broadcast with loudhailers from the Whitehouse, this mood will probably stick.

Day ahead

It's another quiet day in the G-7, with some markets just coming back from holidays. The US NFIB survey is worth a look. It has been pointing (irrelevantly, it turns out) to labour shortages and wage increases. The message may be wrong as far as the main official data on wages are concerned. But as the message becomes louder, the greater the chance that we will finally see some pass through in terms of the non-farm private hourly wages rate, currently stuck at a measly 2.6%YoY.

JOLTS job openings (also due today) and other related JOLTS data have also been sending clear signs of overheating US labour markets for a while. And like the NFIB, it hasn't been working at historical levels. But as the signal grows, this too could become more meaningful. Both worth a watch - though to be treated with care.

German Trade data and industrial production for March could show tentative signs of Europe shrugging off the first quarter soft-patch that enveloped it. If so, it could provide the EUR a crumb of comfort, though it will take more than this to get the ECB taper story for the Summer back up and running again.

In the Asia Pacific region, Chinese Trade data will be foremost on the radar, against the background story that China's Liu He will be heading off to the US next week to pick up trade talks again. Involving Liu He at this level does suggest China is taking this issue very seriously, though is in no mood to be bullied. Some weaker trade data today would certainly make He's job a little easier. I hope that both US and China trade officials explore constructive opportunities for mutual advancement, such as the development of Alaskan LNG liquefaction trains for export of LNG to Asia (China). This is a win-win for both countries and could make a serious dent in the bilateral deficit whilst at the same time, enabling China to clean up its industrial power footprint.

Taiwan CPI is also due today, with the headline likely picking up, but core remaining close to 1.5%YoY, so having little implication for central bank policy which we see as on hold all year.

Australian retail sales likely expanded by only 0.2%MoM in March. That would still deliver 0.7%QoQ retail sales growth in 1Q18, though in real terms, that probably means something closer to 0.3/0.4% QoQ - so not pointing towards rampant consumer strength in the quarter, though not pointing towards capitulation either - the RBA looks likely on hold for the foreseeable future.

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