

TV party tonight

On a relatively quiet day for economic releases, the first US Presidential TV debate may be what gets the most attention.



Former Vice President Joe Biden, left, and President Donald Trump

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A week is a long time in markets

I've just had a week off. And not the usual sort of week off we take these days, where you can't really decide if you are at work or not, and keep looking at emails and taking work-related calls. It was a proper week off, with only the occasional delve into the online FT to keep me in touch.

It's refreshing to see how much I've missed, in a week where there was essentially nothing going on in terms of calendar releases (this often seems to be the case). The EUR's previous gains dried up and partially reversed - as did Asian FX pairs. The equity bull-run also turned tail.

Though of course, within hours of returning to work, these reversals have also petered out, denying me a trend to jump on and get excited about.

So, where to now? The default position for stocks is probably higher, but maybe not much higher, and that would tend to go with a resumption of USD weakness, though again, I suspect there's a limit to how far to follow this and this is beginning to feel very much like a nascent range-trade. Bond markets? They seem to be sitting out this whole move, with 10Y UST notes simply drifting slightly lower in terms of yield. Yields probably don't have too much further to fall, with

recent reversals coming at about 0.63/0.64%.

Let battle commence

Part of me really doesn't want to watch the Presidential debates, and in truth, they are probably on way past my bedtime here in Asia, which will be a convenient excuse. But for those who love reality TV, and have a much higher "cringe-factor" than I have (I even struggle with Masterchef), and can cope with gaffes and gloves-off TV carnage, tonight is probably a must-watch. Get out the pretzels, plump those sofa pillows.

There will, according to my sources, be another two presidential candidate debates on October 15 and October 22. And a Vice Presidential debate on October 7 (that could actually be more fun).

Whether or not these are particularly important is another matter. The received wisdom is that winning the debates does not equate to winning the election. Moreover, with a reasonable polling lead, one could argue that Joe Biden has more to lose here than President Trump, which may play to a cautious strategy from him. Journalists famously refer to pivotal moments in debates, such as Nixon mopping his brow, or Al Gore eye-rolling George W Bush. But then who's to say that any such moments really made any difference? That's essentially my base case for these debates - cringe-worthy but unlikely to deliver an electoral car-crash for either side. And by extension, not necessarily all that market relevant. We'll know more by tomorrow.

Day ahead

It's quiet today on the data calendar, with South Korean industrial production for August already printing a slightly disappointing -3.0%YoY outcome, a bit worse than last month's -2.4% decline, and resulting from a 0.7%MoM fall from July's production levels. This probably reflects the weaker global outlook (rather than any domestic problems), given the resurgence of Covid-19 in the US and many European countries. The debate about the weather tolerance of Covid-19 does not seem to have been properly laid to rest after early speculation. But from what I can see, and summarising some scientific studies I've read into this, although Covid-19 isn't destroyed by warm sunny weather as readily as say, influenza viruses, it really sticks around in the cold and wet. So look out for social distancing measures to tighten across the Northern Hemisphere as case numbers continue to rise.

And Prakash Sakpal has this to say about this week's scheduled Reserve Bank of India (RBI) meeting, which he notes, "...has been postponed as the RBI has failed to fill in three vacant seats on the 6-member policy committee in time for this meeting. The two-day meeting was to be concluded on Thursday, 1 October. The central bank hasn't set the new meeting date just yet. Although no policy change was a solid consensus view for this meeting, the key interest in the meeting would have been revisions to the central bank's growth and inflation view for the year given the continued rapid spread of Covid-19. The news raises concerns about macro policymaking in India, and it will exert further weakening pressure on local markets. Both government bonds and the INR have been selling off this month. The government is widely expected to hike its borrowing programme for the second half of FY2020-21 from the initially planned INR 5 trillion. The announcement is expected this week, though recent rises in yields suggest that markets have probably already factored much of this in".

Author

Olivia Grace

Editor

olivia.grace@ing.com

Julian Geib

Junior Economist, Global Trade

julian.geib@ing.de

Zoltán Homolya

Economic research trainee

zoltan.homolya@ing.com

Amrita Naik Nimbalkar

Economist, Global Macro

amrita.naik.nimbalkar@ing.com

Mateusz Sutowicz

Senior Economist, Poland

mateusz.sutowicz@ing.pl

Alissa Lefebvre

Economist

alissa.lefebvre@ing.com

Deepali Bhargava

Regional Head of Research, Asia-Pacific

Deepali.Bhargava@ing.com

Ruben Dewitte

Economist

+32495364780

ruben.dewitte@ing.com

Kinga Havasi

Economic research trainee

kinga.havasi@ing.com

Marten van Garderen

Consumer Economist, Netherlands

marten.van.garderen@ing.com

David Havrlant

Chief Economist, Czech Republic

420 770 321 486

david.havrlant@ing.com

Sander Burgers

Senior Economist, Dutch Housing

sander.burgers@ing.com

Lynn Song

Chief Economist, Greater China

lynn.song@ing.com

Michiel Tukker

Senior UK & Eurozone Rates Strategist

michiel.tukker@ing.com

Michal Rubaszek

Senior Economist, Poland

michal.rubaszek@ing.pl

This is a test author

Stefan Posea

Economist, Romania

tiberiu-stefan.posea@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Jesse Norcross

Senior Sector Strategist, Real Estate

jesse.norcross@ing.com

Teise Stellema

Research Assistant, Energy Transition

teise.stellema@ing.com

Diederik Stadig

Senior Economist, Healthcare & Technology

diederik.stadig@ing.com

Diogo Gouveia

Sector Economist

diogo.duarte.vieira.de.gouveia@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Ewa Manthey

Commodities Strategist
ewa.manthey@ing.com

ING Analysts

James Wilson
EM Sovereign Strategist
James.wilson@ing.com

Sophie Smith
Digital Editor
sophie.smith@ing.com

Frantisek Taborsky
EMEA FX & FI Strategist
frantisek.taborsky@ing.com

Adam Antoniak
Senior Economist, Poland
adam.antoniak@ing.pl

Min Joo Kang
Senior Economist, South Korea and Japan
min.joo.kang@ing.com

Coco Zhang
ESG Research
coco.zhang@ing.com

Jan Frederik Slijkerman
Senior Sector Strategist, TMT
jan.frederik.slijkerman@ing.com

Katinka Jongkind
Senior Economist, Services and Leisure
Katinka.Jongkind@ing.com

Marina Le Blanc
Sector Strategist, Financials
Marina.Le.Blanc@ing.com

Samuel Abettan
Junior Economist
samuel.abettan@ing.com

Franziska Biehl
Senior Economist, Germany

Franziska.Marie.Biehl@ing.de

Rebecca Byrne

Deputy Global Head of Editorial and Supervisory Analyst

rebecca.byrne@ing.com

Mirjam Bani

Sector Economist, Commercial Real Estate & Public Sector (Netherlands)

mirjam.bani@ing.com

Timothy Rahill

Credit Strategist

timothy.rahill@ing.com

Leszek Kasek

Senior Economist, Poland

leszek.kasek@ing.pl

Antoine Bouvet

Head of European Rates Strategy

antoine.bouvet@ing.com

Jeroen van den Broek

Global Head of Sector Research

jeroen.van.den.broek@ing.com

Edse Dantuma

Senior Sector Economist, Industry and Healthcare

edse.dantuma@ing.com

Francesco Pesole

FX Strategist

francesco.pesole@ing.com

Rico Luman

Senior Sector Economist, Transport and Logistics

Rico.Luman@ing.com

Jurjen Witteveen

Sector Economist

jurjen.witteveen@ing.com

Dmitry Dolgin

Chief Economist, CIS

dmitry.dolgin@ing.de

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com

Egor Fedorov

Senior Credit Analyst

egor.fedorov@ing.com

Sebastian Franke

Consumer Economist

sebastian.franke@ing.de

Gerben Hieminga

Senior Sector Economist, Energy

gerben.hieminga@ing.com

Nadège Tillier

Head of Corporate Sector Strategy

nadege.tillier@ing.com

Charlotte de Montpellier

Senior Economist, France and Switzerland

charlotte.de.montpellier@ing.com

Laura Straeter

Behavioural Scientist

+31(0)611172684

laura.Straeter@ing.com

Valentin Tataru

Chief Economist, Romania

valentin.tataru@ing.com

James Smith

Developed Markets Economist, UK

james.smith@ing.com

Suvi Platerink Kosonen

Senior Sector Strategist, Financials

suvi.platerink-kosonen@ing.com

Thijs Geijer

Senior Sector Economist, Food & Agri

thijs.geijer@ing.com

Maurice van Sante

Senior Economist Construction & Team Lead Sectors

maurice.van.sante@ing.com

Marcel Klok

Senior Economist, Netherlands
marcel.klok@ing.com

Paolo Pizzoli
Senior Economist, Italy, Greece
paolo.pizzoli@ing.com

Marieke Blom
Chief Economist and Global Head of Research
marieke.blom@ing.com

Raoul Leering
Senior Macro Economist
raoul.leering@ing.com

Maarten Leen
Head of Global IFRS9 ME Scenarios
maarten.leen@ing.com

Maureen Schuller
Head of Financials Sector Strategy
Maureen.Schuller@ing.com

Warren Patterson
Head of Commodities Strategy
Warren.Patterson@ing.com

Rafal Benecki
Chief Economist, Poland
rafal.benecki@ing.pl

Philippe Ledent
Senior Economist, Belgium, Luxembourg
philippe.ledent@ing.com

Peter Virovacz
Chief Economist, Hungary
peter.virovacz@ing.com

Inga Fechner
Senior Economist, Global Trade
inga.fechner@ing.de

Dimitry Fleming
Senior Data Analyst, Netherlands
Dimitry.Fleming@ing.com

Ciprian Dascalu

Chief Economist, Romania
+40 31 406 8990
ciprian.dascalu@ing.com

Muhammet Mercan
Chief Economist, Turkey
muhammet.mercan@ingbank.com.tr

Iris Pang
Chief Economist, Greater China
iris.pang@asia.ing.com

Sophie Freeman
Writer, Group Research
+44 20 7767 6209
Sophie.Freeman@uk.ing.com

Padhraic Garvey, CFA
Regional Head of Research, Americas
padhraic.garvey@ing.com

James Knightley
Chief International Economist, US
james.knightley@ing.com

Tim Condon
Asia Chief Economist
+65 6232-6020

Martin van Vliet
Senior Interest Rate Strategist
+31 20 563 8801
martin.van.vliet@ing.com

Karol Pogorzelski
Senior Economist, Poland
Karol.Pogorzelski@ing.pl

Carsten Brzeski
Global Head of Macro
carsten.brzeski@ing.de

Viraj Patel
Foreign Exchange Strategist
+44 20 7767 6405
viraj.patel@ing.com

Owen Thomas

Global Head of Editorial Content
+44 (0) 207 767 5331
owen.thomas@ing.com

Bert Colijn
Chief Economist, Netherlands
bert.colijn@ing.com

Peter Vanden Houte
Chief Economist, Belgium, Luxembourg, Eurozone
peter.vandenhoute@ing.com

Benjamin Schroeder
Senior Rates Strategist
benjamin.schroeder@ing.com

Chris Turner
Global Head of Markets and Regional Head of Research for UK & CEE
chris.turner@ing.com

Gustavo Rangel
Chief Economist, LATAM
+1 646 424 6464
gustavo.rangel@ing.com

Carlo Cocuzzo
Economist, Digital Finance
+44 20 7767 5306
carlo.cocuzzo@ing.com