

Unhappy Monday

A further end-of-week drop in US stocks sets a poor tone to the start of the week in Asia. German politics adds to concern over the direction of Europe's leading economy, but signs of a mechanism to get Iranian oil back on the market could help keep local interest rates down.



Circumventing the dollar

A story that has got very little press, probably because it is happening behind closed doors, has received another breath of publicity today. Bloomberg reports that the EU is close to finalizing a deal that will allow Iranian exporters to sell their oil abroad, and buyers to bypass US sanctions. Exactly how this will work, we can't say. Conjecture is of a special purpose vehicle acting as a go-between and potentially using a system akin to barter to avoid settlement in US dollars. But more this we can't say.

What is worth pointing out is that before it began to top out, the primary driver for oil's recent rise was the loss of Iranian crude in the market ([see also this from Warren Patterson](#)), coupled with logistical bottlenecks for US shale. Adding back in the 400,000 barrels a day of Iranian crude that has been lost since June this year could see the Brent crude benchmark stabilize at or below \$75/bbl. and in line with ING forecasts.

Whilst that is at the higher end of what I think consumers would like, in my view, it takes oil back

into the global "sweet spot" where both consumers and producers are doing OK (\$65-\$75/bbl) - though in reality, both moaning equally (that's just human nature). In particular, this should help those Asian economies with a combination of energy price related current account difficulties, and inflation issues. Amongst others, IDR, INR and PHP stand to benefit.

As an aside, could this be an important crack developing in the USD's reserve currency status? That's a thorny issue and liable to get the sort of angry reaction that stems from writing about BitCoin, or gold prices. So I will just leave that thought dangling...anyone?

EUR/USD lacking direction

News over the weekend does not seem to have left any clear direction for EUR/USD and consequently, leaves Asian FX somewhat directionless at the beginning of the week (with the exception of the CNY and Asian basket peggers, the equity backdrop seems to be having little effect on Asian FX).

Germany's political fragmentation continued over the weekend in the state of Hesse. And while we may have wondered about the long-term future of the USD as a reserve currency, I'm having difficulty imagining a Europe without the firm leadership of Angela Merkel at its centre. This has ramifications on subjects as diverse as the form of Brexit eventually that emerges, to the possibility of future European reform.

On the plus side, there does seem to be some slight movement on the Italian budget, though probably too little for the EU Commission. But every journey starts with a single step. The net result is EUR/USD still hovering just below 1.14.

G-20 - will they won't they

As of today, President Xi and President Trump are scheduled to meet at the G-20 to discuss trade, this according to Larry Kudlow. This has been on and off for weeks now. But Kudlow also added that he didn't expect anything meaningful to come of the talks. I don't either. I'm also not sure that it is meaningful that they are even talking. From the US perspective, until China is prepared to talk about intellectual property transfers from joint ventures, there is little to discuss. And from China's perspective, until they have a firmer idea of what the US actually wants. there is not much point in starting talks.

Asia week ahead

There will be a lot of focus on China data this week. September Industrial profits numbers released over the weekend were poor - showing a rise of only 4.1%YoY, and down from 9.2% in August. This week, we have official PMIs together with the Caixin PMI. The consensus is guessing no further move taking the index through the boom/bust 50 level it reached last month. On the back of the profits figures, this seems optimistic, and our Greater China Economist, Iris Pang, expects the level to be broken, with the Caixin PMI falling to 49.5.

Data out of the US this week in advance of Friday's jobs report will have to do the talking as the US Federal Reserve is in the blackout period ahead of the 9 November rate meeting. Markets are beginning to doubt the 2019 hiking story again given the equity backdrop. But I don't think the Fed is ready to change course yet,

And from Prakash Sakpal: The Pakatan Harapan coalition government is due to unveil the 2019 Federal Budget this week (2 November). Significant policy changes such as the elimination of Goods and Services Tax have derailed a decade-long fiscal consolidation. We expect this to push the fiscal deficit above 3% of GDP in 2018 and keep it there in the coming years. Yet, with the expectation of continued monetary policy accommodation for a prolonged period, the macro policy mix still remains healthy.

Author

Amrita Naik Nimbalkar

Junior 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@asia.ing.com

Michiel Tukker
Senior European 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
Sector Economist, TMT & Healthcare
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@asia.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

Senior Editor 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

Oleksiy Soroka, CFA

Senior High Yield Credit Strategist

oleksiy.soroka@ing.com

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 Corporates 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

Piotr Poplawski

Senior Economist, Poland

piotr.poplawski@ing.pl

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@asia.ing.com

Rafal Benecki

Chief Economist, Poland

rafal.benecki@ing.pl

Philippe Ledent

Senior Economist, Belgium, Luxembourg

philippe.ledent@ing.com

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

Inga Fechner

Senior Economist, Germany, 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