

Variant volatility

There's one thing markets hate, and that's uncertainty. Sadly, science does not deal in absolutes, just guidance based on the available evidence, of which, right now, there isn't much. The next few weeks could be choppy



Vaccine

Source: Shutterstock

Science takes time

According to reports this morning, it will be another two weeks or so before BioNTech will have some more scientific evidence on the new omicron variant that will inform how governments around the world may react. Those scientific results will help us to judge whether we see the tentative recovery happening in air travel and tourism snuffed out before it got started, or whether we will be able to move forward, but with a few more restrictions and precautions than previously.

Even then, those results will need to be treated carefully. Science does not deal in absolutes, and that is what markets desperately want. In the meantime, there is some anecdote that omicron symptoms are "mild". But to be completely clear, this is not our description, and we would emphasize the word "anecdote". This is not the WHO's description as some have been saying this morning. Such anecdote has been providing markets with an excuse to dial back the worst-case scenario that was being priced in last Friday during very thin post-Thanksgiving markets.

We are already seeing US Treasury yields moving off their Friday lows. Equities are being a little more circumspect, but FX in the region may also have overdone it and may show some signs of recovery today. The THB was hosed last Friday, down about 3% on the day. With the THB one of

the most exposed currencies to tourism prospects, that was not surprising. But if omicron anxiety turns out to have been a storm in a teacup, then perhaps that selloff was overdone and we can anticipate some bounce there too. But until the scientists come back to us with some more insight, this is all guesswork.

But what about vaccines?

Another piece of news markets have latched onto, and probably too eagerly, is the suggestion that a tweaked mRNA vaccine might be available early New Year for omicron. Scientists have been working on broad coronavirus family vaccines for some time, but even a specific omicron vaccine would be helpful in the meantime.

Let's not get carried away though. Globally, it is very clear that after more than a year since they were developed, many countries still lack access to sufficient quantities of vaccines. Even if there is a new vaccine for omicron in existence by 1Q2022, it is massively unlikely that production could be expanded so rapidly that we could just carry on as before.

What the latest round of market movements confirm is that markets tend to overreact to bad news, but then to cling on unrealistically to any glimmer of hope that enables them to rally. Perhaps the only certainty in this environment is volatility.

More importantly, the current set of vaccines that we have all been queuing up for in the hopes of a more normal future, may turn out to be ineffective against this current variant. In which case, all of the policy based on vaccine passports and travel certificates rapidly approaches pointlessness. That is probably the biggest concern right now and hinges less on the severity of symptoms of omicron, but more on governments' attitude to living with the virus. Some governments are adopting an "endemic" approach. And it may be that this just becomes something we have to get used to, but which we don't have to live in fear of to the same extent as earlier variants.

China, however, still seems to be clinging to the zero-covid strategy. And as China won't be able to deliver a virus-tight border to omicron forever, suggests that we may see more lockdowns in China over the coming year. The real question will then be, was it worth it? We won't know that for a long time either.

Payrolls - who cares?

With all of this variant volatility, I have to wonder whether there is any point looking at this week's Friday non-farm payrolls release in the US? I think that even before omicron, payrolls had become an irrelevant distraction given that US inflation was already rampant ahead of the "substantial progress" that the Fed had been so careful to avoid defining. Still, maybe we should cast an eye over the wages component of the release. The last NFIB survey certainly gave some credence to the notion that a new wage-price dynamic was forming (something the latest FOMC minutes denied). So "stagflation" could become the new dinner party conversation topic displacing house prices. Pass the port please...

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 Lefebre

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

michieltukker@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