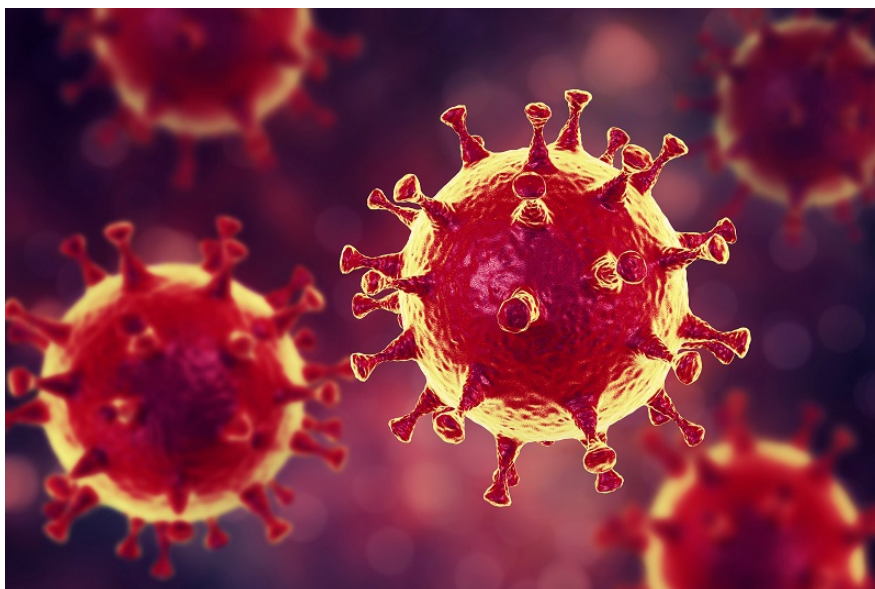


## Virus concerns return

Tech stocks rebound as vaccine excitement wanes and markets refocus on surging US case numbers; Oil supported by OPEC+ deliberations on rolling cuts, but weighed by virus and demand concerns; Japan investment outlook remains weak ahead of 3Q GDP and India struggles with "stagflation"



Corona virus

### Market overview

My usual starting point of extrapolating the US close into the Asian open looks more questionable than usual today, with US equity markets dominated by a return to tech stocks (NASDAQ up 2.01%) as concern over surging US Covid-19 case numbers mounts, and prospects rise for renewed lockdowns ([see also this by our strategists on the potential market impact of a vaccine](#)). Industrial stocks in the Dow Jones index didn't fare so well and ended the day slightly in the red (-0.08%), and the S&P500 was somewhat in the middle, registering small gains (+0.77%). Equity futures in Asia today are greenish, but I wouldn't bet the farm on that being the theme for the whole day, and we need other yardsticks to figure out which way the market-wind is blowing today.

The same goes for FX markets. The USD had a strong day against some of the majors yesterday, including the JPY and the EUR. But it did less well against the commodity currencies. The NZD did particularly well as [negative rate expectations were pared back](#). And in Asian EM space, it was also a mixed bag, with the THB unusually dominating the pack for a rare change, leading the KRW, and

many of the other currencies languishing. Again, no clear theme here.

It is entirely possible that oil will play more of a role in FX space in the coming days, as the market tries to disentangle the negative signals coming from the pandemic figures, from the positive noises on OPEC+ rolling their cuts into next year. [This OPEC+ view is increasingly becoming the consensus](#), the only question being whether this is for 3 or 6 months. So we should probably keep an eye on the MYR, as the region's main petro-currency.

## G-7 outlook and events

As we get closer and closer to November 15th, it is worth reminding ourselves that this was once viewed as the last possible day for a Brexit deal. Time is needed for European countries to ratify any deal before the end of the year. So with each day that passes, the likelihood that we get a "deal/no-deal" decision grows. But as we have also learnt, deadlines can slip, and pragmatism can triumph if a deal looks within striking distance. Therefore we will not be surprised if Nov 15 comes and goes without any clear message on Brexit. Presumably, some sort of transition extension can be arranged if it's just a question of timing? And it's not as if all negotiations will immediately cease just because 15 Nov or even 31 Dec passes. I'm sure our UK and Brexit expert, James Smith, will have something to offer on this early next week, one way or another...

For what it is worth, the UK releases 3Q GDP data today, which of course precedes the latest lockdown. The consensus is for a 15.8% QoQ surge after the 2Q 19.8% plunge.

And Japan has released core machine orders data for September ahead of next week's 3Q GDP release. The -4.4% MoM September figure was worse than expected, though the year-on-year print beat expectations. This either means you should put no faith in consensus figures as they clearly contain no information. Alternatively, it means that because of substantial historical revisions to data like this, forecasts are a massive waste of time. It's probably both. And neither explanation helps.

I am looking for a fractionally weaker 18.6% pick up in 3Q GDP after the 28.1% decline in 2Q20 (consensus is virtually the same at +18.9%QoQ, which is no guarantee of accuracy).

## India - weak output, high inflation

Prakash Sakpal has this update on Indian data due today: "CPI inflation for October and industrial production for September are due today. Inflation exceeded the Reserve Bank of India's 6% policy limit in all but one month in the year through September. We don't think October will be any different, though there might be a slight dip to 7.1% YoY (from 7.3%) on the back of a high base effect. Food and transport prices remained the main drivers of high headline inflation. Meanwhile, persistently weak domestic demand outweighed firmer exports in September to keep the negative spell on industrial production growth, although to a lesser extent (INGF -3.2% YoY vs. -8.0% in August). We will review our 3Q GDP growth forecast, currently -17.6% YoY, in light of today's IP data".

## Author

### Robert Carnell

Regional Head of Research, Asia-Pacific

[robert.carnell@asia.ing.com](mailto:robert.carnell@asia.ing.com)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user’s investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.