

## War and Peace

National Economic Council Director Gary Cohn resigns over tariffs. North Korea's Kim Jong-un signals he is open to talks with the US



### Trump still talking about trade wars - Cohn resigns

Markets have been shrugging off the threat of trade wars in the last few sessions. But despite trade-fatigue (and it has only been a few days) there has really been very little change in the comments from Donald Trump, despite other members of the administration (notably Gary Cohn and Steven Mnuchin) apparently trying pressure him to change his mind or at least scale back the tariff rates. This doesn't seem to have worked, and the breaking news this morning is that Gary Cohn, Director of the National Economic Council, is resigning over the issue.

Trump, for now, seems unbowed. A 25% tariff on EU cars is his response to potential retaliation to

the aluminium and steel tariffs by the EU. It won't end there. It is hard not to characterise current market behaviour as complacent.

Stock futures are lower on this news, the US dollar looks weaker, but bond markets seem unclear whether to rally on the growth dampening impact of potential tariffs, or to sell off on their inflationary potential.

## Peace to break out in Korea?

I've just returned from Korea, where I imagine the suggestion that North Korea is open to talks about its relationship with the South, and its nuclear future will be being viewed with extreme scepticism. Kim Jong-Un has seemingly indicated that he is willing to discuss a peace deal and denuclearisation with the US, subject to guarantees about his regime's future.

Whilst no-one likes the way North Korea is run, the bigger deal for the US is denuclearisation for North Korea. China will also view this as an acceptable balance, as it prefers to maintain the regime rather than see it collapse and spark a refugee crisis.

While a positive view on the offer of talks will add to the risk appetite of markets, and the Korean won has made gains against the US dollar in the last 24 hours, this offer may well come to nothing, and there are other issues that are pushing market sentiment in the other direction.

## Day ahead - labour data from the US, EU Growth

There is really only one source of potential market interest on the G-7 economic calendar today, and even that may underwhelm. The US ADP survey of employment due just a few days before Friday's non-farm payrolls would be interesting if financial markets were concerned about US job creation. They aren't. They are, however, wondering if last month's modest hourly wages increase (2.9% YoY) will be maintained, exceeded, or revised away. There is, unfortunately, no likely indication of wages in these data, only employment.

- In China, eyes will remain on the National People's Congress (NPC), and press conference by Finance Minister, Xioa Jie. Further detail may emerge on the suggested merger of many government agencies. FX reserve data will likely be dominated by currency valuation fluctuations.
- We also get Taiwan trade data today. We are looking for a stronger trade balance figure than the \$2.4bn consensus figure. Earlier, Korean trade figures were also a little stronger than expected.
- Bank Negara Malaysia (BNM) meets today to discuss rate policy, but it's unlikely to tighten rates ahead of the Parliamentary Elections to be held by August at the latest.
- Australia releases 4Q17 GDP data, which could come in a little softer than previous quarters (0.6% in 3Q17). RBA Governor Philip Lowe has been on the wires overnight, noting that the next movement by the RBA would be higher. But this won't be anytime soon, he says.

## 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>.