

## Words will be spoken

It's the Trump-Kim summit today in Vietnam, or is it the Kim-Trump summit? In any case, we aren't holding our breath for anything market-moving. Great for the media though.



President, North Korea

## Paper will be signed and flourished

Call me a sceptic (I am by the way), but after the Singapore summit last year, I am not holding out much hope for anything too market moving from the Vietnam summit today. Like the previous one, there will be plenty of great photo opportunities. For Vietnam, this is a chance to showcase their beautiful country. But it's more than a glorified "travel infomercial", as it shows the world that Vietnam has joined the league of countries to be taken seriously, a message that won't be lost on Beijing.

As for the summit itself, words will be spoken, pictures will be taken, hands shaken and papers signed with commemorative pens and then flourished. But by Friday, when the dust has settled, and pictures of Hanoi's motorcycle-thronged streets are fading into memory, will anything have actually changed? I'll let you fill in your own answer here.

## Powell sticks to the script

Fed chair Jerome Powell stuck to the "cautious" script in his testimony to the Senate yesterday ([see also here](#) for our US economists' views), which moves to the House of Representatives today.

He struck a solidly neutral tone, in contrast with the market view that sees the FOMC's next move as downwards. Markets have not moved substantially in response to the speech, and today's re-hash to the House will offer even less in my view, as the quality of debate usually takes a noticeable dip after the Senate version.

Our FX strategists have also been looking at this, and how the Fed's pause supports carry trades - so if you have time, [give this linked article a squiz](#).

Perhaps the only snippet of the debate that really caught my eye was the hint that the Fed is considering amending their inflation target to one of price level targeting in response to a critical question from Senator Toomey. This is a subject that requires far more than a few measly words in this daily. But for what it is worth, if the Fed has failed to meet its inflation target on average despite adopting massive unorthodox policy stimulus, why does it think changing its target will make a difference? We have clear evidence from Japan that changing targets when the target itself lacks credibility doesn't work.

## Emergency wall funding moves to the Senate

This isn't particularly market moving either, though after it was voted down in the House of Representatives 245-182 yesterday, the emergency funding for the border wall now moves to the Senate. The vote in the House fell short of a two-thirds majority that would overturn any Presidential veto. So even after deliberating for the allowed 18 days, any Senate vote for this (seems unlikely) would only send a message to the President, that the Senate wasn't simply a passive rubber stamping chamber.

## Brexit pause now looking all but certain

After writing about this yesterday, there isn't much to add. UK MPs will almost certainly reject Theresa May's bill on March 12, and will then almost certainly vote to extend article 50, which the EU will almost certainly grant.

Its what comes next that concerns me, as there seems no prospect of any progress on the May draft bill, and the path to alternatives is hazy. I'm sure our UK economist, James Smith, will have answers for us shortly... though give him a day or two, [he's only just published ahead of this week's developments!](#)

## Asia Day ahead

Its a quiet day on the Asia calendar today. South Korea has already reported very strong Manufacturing business sentiment survey results. The March index is 76, up from 65 in February, which dropped sharply from 71 in January. I think Lunar New Year effects are probably driving most of this. The index should settle down to something around the January level or thereabouts next month. Only then will we have an idea which way sentiment is really heading.

And it's 4Q18 GDP day in Hong Kong. Our Greater China Economist, Iris Pang is at the lower end of consensus with a 2.2% forecast.

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