

You win some, you lose some...

The US-North Korea summit disappointed markets - although expectations were probably unrealistic. Seen as a process, not as an event, some progress of sorts was still made. The bigger prize remains the US-China trade deal - much more positive noises are emanating from the US.



Korean market sell off in perspective

The early end to the Trump-Kim shutdown is a shame, not least for Vietnam, an economy I like, and which had an opportunity to showcase itself on an international stage.

The Kospi index fell by 1.8% on the day, a sizeable move, but not an unprecedented one. What did equity markets really believe was going to come out of this summit? I assumed we would get virtually nothing, and I'm not feeling too bad about it this morning. Currency markets responded far less. Yesterday's KRW decline was unexceptional by daily standards. The uptick of the 5Y sovereign CDS of 0.5% is equally unremarkable. In two months time when you look back at some of these charts, you will be hard-pressed to identify yesterday's price action.

And actually, in some ways, progress has been made. Both sides know more about each other than they did before they sat down. North Korea knows that the US knows about its other nuclear facilities, and won't be able to pass off token gestures as meaningful moves. And the US knows that the North Koreans are prepared to move, though perhaps not at the pace and to the extent

currently desired. A deal is still possible. The relationship is still intact. Though it will probably require a lot more legwork.

Kudlow sounds positive about trade deal

According to Larry Kudlow, the US President's Economic Adviser, the US and China are close to a "remarkable historic deal" with progress apparently on state-owned enterprise subsidies and currency intervention. A final deal could be signed in weeks, according to the same article.

This is a far more important development than any disappointment felt over the Vietnam summit, and could provide a substantial boost to markets, not least those in Asia, which stand to benefit the most.

We'll believe it when we see it. We have had far too many conflicting reports over recent months to get too carried away with one soundbite, and despite a certain near term boost to market sentiment, the devil of any deal in the following months will be in the detail. Crucially, we don't know if this deal will deliver a removal of existing tariffs. That would be a massive boost. Or just a suspension of increased tariffs, which would be less helpful, but still deliver a relief rally.

India: 4Q GDP growth of 6.6%

(from Prakash Sakpal)

India's 4Q18 GDP growth of 6.6% YoY was spot on our forecast. The slowdown from 7.1% in the previous quarter isn't out of sync with what's observed elsewhere in Asia. The growth slowdown coupled with low inflation might vindicate the central bank's (RBI) latest policy rate cut in February. But unlike some other Asian central banks, the RBI's options of further easing are limited. We believe inflation has bottomed and the low base effect together with the impact of rising global oil prices and weak currency will begin to push inflation higher in the period ahead. Meanwhile, there is some relief on the horizon for the rupee with Pakistan moving to diffuse the border tension with India. We might see some consolidation from the recent sell-off, though we expect geopolitics will remain a key headwind for local markets until elections in May.

Asia Day ahead

The expansion of Chinese shares in the MSCI index provides some interest for equity investors. The Shanghai Composite index has been rising since the beginning of the year - a combination of liquidity injections and probably a bit of MSCI front running providing the impetus.

But is this a "sell on the fact" story? The index's recent price action has seen it stalling a little below 3000. But liquidity measures are likely to remain supportive in the medium term.

South Korea's exports fell by 11.1%YoY in February. This was worse than the consensus forecast, and our own forecast was well wide of the mark. Falling semiconductor prices are apparently doing most of the damage. Shipment volumes are holding up better. So this is less a trade war story and more of a global semiconductor slump story. That means it is cyclical, and will at some point end. Though I'm wondering if it might take the 5-G roll out to deliver a meaningful recovery.

Manufacturing PMI data forms the bulk of other releases. Following yesterday's disappointment from China, these will probably also decline. Figures due from Malaysia, Japan, Thailand, Philippines, Indonesia, Vietnam and the Caixin China PMIs, where the consensus is controversially

for a slight bounce from last month.

Inflation forms the other core component of today's Asia releases, with data from Thailand and Indonesia. Thai inflation should increase to about 0.5-0.6%, though principally a base effect increase. We don't see Thai inflation entering the BoT's 1-4% inflation target at all this year. Scope for a rate cut later in the year? It's unlikely I think, despite relatively high real rates, a soft domestic economy, and a strong currency. That doesn't mean it wouldn't be helpful to the economy.

Indonesia's inflation still looks to be trending lower, and they are another central bank with high real rates, though their priority seems to be reducing the current account deficit, so rate cuts are probably off the table for them too.

Author

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@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