Doubts beginning to creep in

US equity markets were weak yesterday, but I would be surprised if this lasts

A trader working on the floor of the New York Stock Exchange.

Source: Shutterstock

Yes, there was some bad news, but there usually is

This could be an interesting day for markets. US stocks closed down yesterday. There were a number of factors that could have helped risk sentiment diminish sufficiently to lead to this. These include:

- the higher initial claims figures (see the comment from James Knightley in our daily yesterday which flagged this likelihood and also his write up of the claims data),
- the delay of the much talked about next fiscal stimulus plan from the Republican Party to next week putting back the start of negotiations with the House of Representatives,
- the cancellation of the Jacksonville Convention (not intrinsically risk-off, but highlights the next issue),
- and deaths from Covid-19 continuing to creep higher, staying well above the 1000-a-day mark as the US racks up more than 14 million confirmed cases in total.

Despite all this, equity futures look more positive than negative, which suggests that it still only takes a small decline for the value-vultures to come swooping down and lift them up again. Likewise, the USD, which had been looking a bit stronger during the stock sell-off (and probably also helped by heightened China-US tensions) is by no means a firm bet for today's trading.

Not looking for a bigger correction

Against the backdrop of a weaker equities market, talk of NASDAQ bubbles, which is ever-present, seems louder than usual. You could probably widen this conversation out to stocks in general, and the dichotomy between Main Street and Wall Street. There is a good piece (they almost always are) by Cameron Crise today about the impact of "zero-forever" real rates on FANG stocks, which is worth a read for Bloomberg subscribers.

But a post-lunch chat with my colleague Fi, yesterday, prompted the following thought, that as central banks worldwide debase their Fiat currencies, and drive the real returns on financial assets like government bonds to zero (or negative), what you want to be holding is not financial assets, but real assets. And what is a stock, if not a claim on the productive value of real assets? So chuck away those CAP M models, the only justification you need for holding stocks is an aversion to purer financial assets. There is a slight problem with this though. If your main motivation for holding stocks is that you fear your Fiat currencies and bond markets are becoming intrinsically worthless, then I think I'd still rather be holding some agricultural land, and maybe some physical gold. Let's not call off the stock crash just yet.

Today in Asia Pacific

We have already had some trade data out of New Zealand, which wasn't noteworthy, except for the fact that the consensus called both imports and exports exactly right to two decimal places, which looks a bit fishy. And Australian July PMI data, which showed strong gains for both manufacturing (53.4 up from 51.2) and even more so from services (58.5 from 53.1). Remember, these PMI indices are directional indicators not measures of absolute activity, but this is still an encouraging progression, even if the Australian economy is still underwater compared with 1 Jan 2020 (which it almost certainly is).

And Prakash Sakpal picks up the following other releases in the region.

"Singapore: Today's industrial production release will tell us which way the initial -12.6% YoY 2Q GDP growth figure is likely to be revised. The consensus is looking for a -2.6% IP growth, an improvement from -7.4 in May. The strong June NODX growth of +16% YoY means there is probably some upside risk to the consensus view on IP. However, this strong headline NODX growth masks underlying weakness reflected by month-on-month declines in the key drivers - pharmaceuticals and electronics.

Thailand: June trade figures are due today. The consensus median puts export and import growth rates at -15% YoY and -17% respectively. And the estimate for the trade surplus for the month is $2.9 billion, which would bring the surplus in the first half to $12 billion or $7.5 billion wider than a year ago. The persistently wide trade surplus supports currency appreciation. The authorities have been turning up the volume of their rhetoric on the strong THB hurting the economic recovery. They should be relieved to see the THB has shifted to be Asia's weakest currency in July with 2.5% month-to-date depreciation after strong gains in May-June".

Author

Amrita Naik Nimbalkar
Junior Economist, Global Macro
amrita.naik.nimbalkar@ing.com

Mateusz Sutowicz
Senior Economist, Poland
mateusz.sutowicz@ing.pl

Alissa Lefebre
Economist
alissa.lefebre@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.schroder@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