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Opinion

Jitters mounting

In our view, stories about a looming global recession are overdone. But there are interesting things happening in the semiconductor space that Asia ought to be concerned about

You spend years waiting for central banks to hit their inflation targets, which, incidentally, most are still failing to do, crude oil noses up a bit making targets look more achievable, and all of a sudden, news headlines are full of stories of bond yields reaching 3% (3%!!!!) and global recession. I'm sorry if I sound like I don't care. But if US 10-year Treasury yields rise a further 3bp, I cannot see this causing the US housing market to collapse. US corporates, currently printing decent earnings, will not suddenly go bankrupt. And yes, credit spreads have widened, but they were absurdly tight. A return to more normal pricing is not a reason to jump out of the window.

It is a slow news day today, and journalists, like financial analysts, need to generate stories where there are none. If you want something to worry about, how about what is happening to semiconductor firms. Semiconductors were the mainstay of Asian exports in 2017, in some countries, they were about the only thing that grew, massaging headline figures higher even when other products were flatlining. Another semiconductor firm has just offered downbeat earnings guidance after last week's announcement in Taiwan (this time in Europe), and our long-standing hypothesis of a handset-related product cycle in this sector may indeed be playing out.

To follow this further, we will need to focus on the upcoming production, export and orders data for the big semiconductor manufacturers in the region - Korea, and Taiwan especially, and keep a weather eye on the others in the region (this is not a concentrated activity anymore - everyone is doing it).

If more bad news follows, this would not be welcome. But it would be more of an indication of a regional slowdown, not a global recession. Over the coming days, we will show you some of the real-world recession indicators that we think are worth following. There aren't many. The news is not yet negative.

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