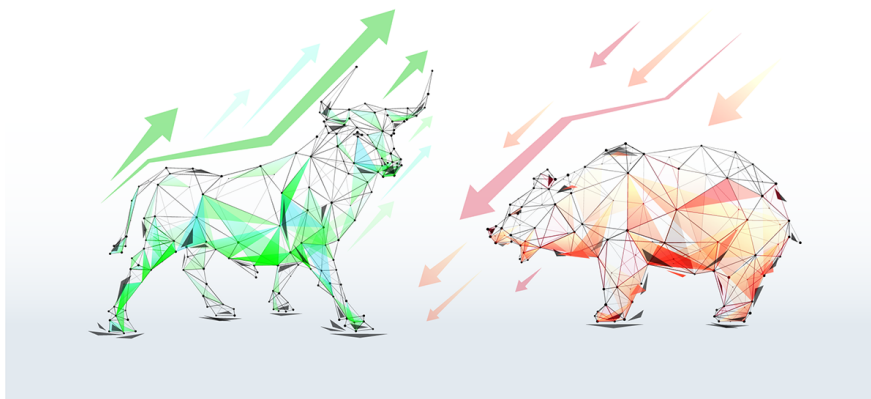


New highs in stock markets

Animal spirits seem strong and optimistic, just don't look at the data too closely.



Source: Shutterstock

Little news gets big response

I didn't write a note yesterday. My computer took ages to boot up, then the quote I was hoping to leverage off, from President Trump, that a trade deal was "very close" turned out to be impossible to track down quickly. As a result, I began to doubt I had even read it.

I'm not a journalist (I couldn't deal with those deadlines) but I like to check my sources before publishing. Anyway, failure to track down that quote made linking it to tougher penalties in China for IP infringement impossible, and so pulled the thread out from the fairly tenuous "feel-good-factor" trade-deal storyline I was hoping to run with.

So this morning, I flipped open my iPad at 5:50am as usual, the first act of the day to try to kickstart the thought processes. And here are the top Financial Times headlines:

- "Boomtime back as dealmaking hits \$70bn in a day" - with a subtitle of
- "US stocks hit new record thanks to return of animal spirits and ebbing of recession fears".
Then there is
- "Yield crazed investors pile into US subprime car loans".

These sat on the same page as

- "September drop in trade dashes world recovery hopes" and admittedly the next one is

from Bloomberg Daybreak, not the FT, and also not quite a punchy:

- "US Economic activity fell in October" according to the Chicago Fed index and Dallas Fed's manufacturing index.

Bloomberg Daybreak's Cameron Crise explains in some detail why this congruence of market enthusiasm and not so bright macro data may not be the bell tolling for the end of the stock-market bull-run, even though it shares some of the same symptoms as previous market tops. I admit, unlike Crise, I'm a macro guy and no equity expert. But I can't help feeling that something isn't quite right. Read him and let me know what you think.

Better news from New Zealand

While their recent decision to leave interest rates unchanged may have taken many market analysts by surprise, the data seems to be swinging in the Reserve Bank of New Zealand's (RBNZ) direction, helping lift the NZD vs the AUD.

3Q19 (real - that is, adjusted for inflation) retail sales rose 1.6%QoQ. It was expected to rise only 0.5%, up from 0.2% in 2Q19. That looks too good to be true, though this data has been exhibiting very strong negative autocorrelation (it is saw-toothed), so to compensate for that I bunged a 4-quarter moving average through it to see what the underlying QoQ trend is. It is 1.1% with an upward tilt. That is more than 4% annualised.

There was strength across a wide range of retail goods, with particular highlights of electrical goods (4.4%), furniture / housewares, and liquor. One could perhaps begin to make a Rugby World Cup story out of this (TV's, TV stands and recliners, and match refreshments), in which case the 2.3% pharmaceutical figure is likely to rise further in the 4Q19 release (sorry, couldn't help it. Well done in the first cricket Test against England by the way, and see you in Hamilton).

While the Jury is still out on future Reserve Bank of Australia (RBA) decisions, I would say the 50% ish probability of an RBNZ cut priced in OIS markets next year looks high relative to the 70%+ probability for an RBA cut. The NZD could continue to do well against the AUD, and a speech this afternoon by RBA Governor Lowe is likely to keep the door open to further RBA easing, helping that trend along.

HK Pro-democracy protestors back out after District Council Elections

Hong Kong's District Council elections delivered around 85% of the 452 seats to pro-democracy candidates when the final results were tallied. That is up from 13% of the seats at the last election in 2015. The turnout was approximately 71%, high for district elections seen as largely toothless in political terms.

But after 3 days of no protests, the protestors were apparently out again last night, according to some HK colleagues. This election doesn't appear to have changed much.

Singapore production outlook

Here's what Prakash Sakpoal has to say about the outlook for Singapore's industrial production (IP) for October, released this afternoon at 1pm. "Continued weak non-oil domestic exports with a 12.3% YoY fall in October suggests the -1.4% YoY consensus on IP is a bit optimistic. However,

significant seasonality and volatility in this data mask the underlying trend, which seems to be improving slightly. The six-month annualised growth rates of NODX and IP have been moving up, which the central bank (MAS) will likely regard as sufficient reason to leave policy on hold at its next review in April 2020".

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