

No news is no news

If you believe the news, markets dropped yesterday due to concern over stalling US jobless claims - this is not accurate



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More ex-post rationalisation

One of the worst parts of my job (don't get me started), is when a journalist rings me up and asks for some market comment. "Why are equities down today?" OK, it's not their fault, they have copy to produce and tight deadlines and an impatient editor shouting in their ear. But if it weren't for it being factually inaccurate, I'd always be tempted to answer "more sellers than buyers?" (factually inaccurate as there are always an equal number of both, or you wouldn't have a trade).

So reading today that US equities were soft yesterday because the initial claims figures showed no signs of falling further doesn't ring true for a number of reasons:

1. The S&P500 opened down on Thursday, and traded in a fairly tight range all day, ending slightly stronger - no notable dips at data release times
2. The initial claims figures are rarely market moving, and during this pandemic, have proved extremely misleading indicators of the true state of the US labour market
3. The continuing claims numbers continued to decline steadily
4. Other (admittedly less timely) data such as retail sales, Bloomberg consumer confidence and the NAHB survey were better than expected, with the NAHB homebuilder survey giving you the best "V"-shaped recovery you are ever likely to see. Only the Philly Fed survey was a bit off the pace on the day.

Now there is a reason why I am labouring this point today - unlike the journos, I don't have to write anything each day (so there is some upside to this job...). If there is nothing much to talk about, I can just leave it. They have a much tougher job.

But if there really was no fundamental reason for stocks' weakness yesterday, then stocks may simply be running out of momentum. Honestly, sometimes the only reason markets fall is because they stop going up.

I say all this because eyeballing a couple of charts today, Dollar-index, S&P 500, EUR/USD, and cross-checking against the US Treasury market, which remains bid, these other markets all look to be struggling to keep moving forward. This may indicate nothing more than a short pause for repositioning, or minor correction before the next upward leg. But if so, this was an even more disappointing result on a day when there was some genuine vaccine optimism to give markets a boost (I'm referring to the Oxford University Jenner Institute trial), and so if that wasn't enough to give stocks a lift, then maybe this bull run is running out of fresh steam. Next week could be interesting (though I'll probably miss any move as I'm taking Monday off).

Asia today

After yesterday's strong (though not wholeheartedly encouraging) 2Q20 **China** GDP release ([see Iris Pang's note](#)), today's data from the region is a lot thinner. Prakash Sakpal picks up the main releases below:

(Prakash Sakpal):

Singapore: In a substantial upside surprise, non-oil domestic exports surged 16.1% YoY in June, double the consensus estimate of 8.0%. A 0.5% MoM SA rise followed two consecutive months of declines. After a contracting year-on-year in May, pharmaceuticals rose 31% YoY in June, though that mainly owed to base effects and pharma was down for a second month. Electronics exports continued to hold firm above SGD3bn in monthly exports for the third consecutive month (SGD3.128bn in June, SGD3.318bn in May and SGD3.106bn in April). By destination, strong gains in shipments to Europe and Japan helped to offset anaemic demand in China and the US.

Don't get too carried away with thoughts of a strong recovery following this data. In a media briefing yesterday, the MAS's head Ravi Menon warned about the dire economic situation and slow and uneven recovery ahead, with a potential rise in job losses and corporate bankruptcies as well as higher household and corporate debt levels undermining the recovery. But he also ruled out any changes to the MAS monetary policy or the property cooling measures in place in currently.

Thailand: Prime Minister Prayuth Chan-Ocha is preparing for a cabinet reshuffle after resignations yesterday by key economic ministers. This reshuffle will happen by August. The Bank of Thailand's senior director, Don Nakornthab said they were prepared for more rate cuts in the event that a second-wave of Covid-19 hits the economy. All this should sustain the THB under weakening pressure after the currency fell to a six-week low of 31.667 against the USD yesterday.

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